BOARD of SUPERVISORS

City Hall
Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 544-5227

NOTICE OF CANCELLED MEETINGS

FINANCE AND LABOR COMMITTEE

SAN FRANCISCO BOARD OF SUPERVISORS

NOTICE IS HEREBY GIVEN that the regular meetings of the Finance and Labor Committee scheduled for the Wednesdays of July 5 and July 12, 2000, at 10:00 a.m., at 1 Dr. Carlton B. Goodlett Place, Room 263, City Hall, San Francisco, California, have been **cancelled**.

Gloria L. Young, Clerk of the Board

FINANCE AND LABOR COMMITTEE
S.F. BOARD OF SUPERVISORS
CITY HALL, ROOM 244
1 DR. CARLTON GOODLETT PLACE
SAN FRANCISCO, CA 94102-4689

IMPORTANT HEARING NOTICE!!!

City and County of San Francisco
Meeting Minutes
Finance and Labor Committee

Members: Supervisors Leland Yee, Sue Bierman, Tom Ammiano

Clerk: Mary Red

Wednesday, July 19, 2000 | **10:00 AM** | **City Hall, Room 263**

Regular Meeting

Members Present: Leland Y. Yee, Sue Bierman, Tom Ammiano.

Meeting Convened

The meeting convened at 10:10 a.m.

000855 **[Authorizing the PTC General Manager to sign an agreement with BART to pay MUNI $2,175,648 for transferring riders to BART stations]**

Resolution approving an agreement between the City and County of San Francisco and the Bay Area Rapid Transit District authorizing payment to San Francisco Municipal Railway for transfer trips provided in fiscal year 1999-2000. (Public Transportation Commission)

5/4/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Dave Esparza, Budget Manager, Municipal Railway.

Amended to change date on page 1, line 20, from "April 25" to "May 2"; same title. Supervisor Bierman absent for vote.

AMENDED.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

000857 **[Prop J, Contracting Out Legal Process Server Services]**

Resolution concurring with the Controller's certification that legal process server services can be practically performed for the District Attorney, Family Support Bureau, by a private contractor for a lower cost than similar services performed by City and County employees. (District Attorney)

5/4/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Myer C. Jue, District Attorney's Office.

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001080 [Reserved Funds, Department of Human Services]

Hearing to consider release of reserved funds, Department of Human Services, (Fiscal Year 1999-2000 Budget), in the amount of $60,000 to fund the CalWORKS College Scholarship program. (Human Services Department)

6/2/00, RECEIVED AND ASSIGNED to Finance and Labor Committee

Heard in Committee. Speakers: Harvey Rose, Budget Analyst, Janet Diamond, Department of Human Services.
Release of reserves in the amount of $60,000 approved

APPROVED AND FILED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

000985 [Approving a four-year contract with S.F. Water Alliance to provide Program Management Services for PUC Capital Improvement Program]

Resolution approving the Public Utilities Commission Program Management Services contract with the San Francisco Water Alliance. (Public Utilities Commission)

5/24/00, RECEIVED AND ASSIGNED to Finance and Labor Committee

Heard in Committee. Speakers: Supervisor Ammiano, Ken Bruce Budget Analyst's Office, Supervisor Yee, Larry Klein, Acting General Manager, Public Utilities Commission (PUC), Mike Quan, Utilities Engineering Bureau, PUC; Harvey Rose, Budget Analyst, Victor Macros, Vice President, PUC Commission, Ed Richardson, Bechtel Corporation; John Kluesener, Project Manager, Bechtel Corporation, Ted Lakey, Deputy City Attorney. Opposed David Novogrodsky, Local 21, Jim Buker, Department Public Works, Jeff Sheehy Victor Menotti, International Forum; Antonio Diaz, P O D E R , Chris Daly, Mission Aganda, Daja Bowler, Peter Warfield
Continued to August 2, 2000.

CONTINUED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001049 [Approving purchase of Adaptec Corporation land for PUC Milpitas Intertie Pipeline and Pump Station Project]

Resolution approving a purchase of land from Adaptec Corporation in Milpitas, Santa Clara County, for a purchase price of $491,319 and authorizing acceptance of a grant deed and easement deed and execution of a ground lease to Adaptec Corporation for a term of twenty-five years at an initial rent of $26,557.00 per year (Real Estate Department)

(Fiscal impact.)

5/31/00, RECEIVED AND ASSIGNED to Finance and Labor Committee

Heard in Committee. Speakers: Harvey Rose, Budget Analyst, Larry Klein, Acting General Manager, Public Utilities Commission.
Amended to increase purchase price to $494,519; new title.

AMENDED.

Resolution approving a purchase of land from Adaptec Corporation in Milpitas, Santa Clara County, for a purchase price of $494,519 and authorizing acceptance of a grant deed and easement deed and execution of a ground lease to Adaptec Corporation for a term of twenty-five years at an initial rent of $26,557.00 per year (Real Estate Department)

(Fiscal impact.)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001142 [Reserved Funds, Superior Court]

Hearing to consider release of reserved funds, Superior Court (File 000271: Ordinance No. 44-20), in the amount of $254,000 to fund costs of indigent defense in adult criminal and juvenile delinquency cases for the trial court. (Superior Courts)

6/26/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Neil Taniguichi, Superior Court; Supervisor Yee; Supervisor Ammiano.

Release of reserves in the amount of $254,000 approved.

APPROVED AND FILED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001073 [Westside Non-Public School Day Treatment Program]

Supervisor Yee

Hearing to understand the reasons for the proposed closure of the Westside Non-Public School/Day Treatment Program and to find out where the severely emotionally disturbed youth who attend this school will be placed.

6/5/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Supervisor Yee; Supervisor Ammiano; Manuelito Biag, Teacher; Parisa Farrohi, Clinical Case Manager; Jae G. Agu, Principal; Jennifer Weisenberger; Ed Harrington, Controller; Daz Lamparas, Local 790; Sai-Ling Chan-Sew, Community Mental Health Services; Bea Stevens, Executive Director, Westside Program; Barbara Thompson, President, Westside Board; Mary Rogers; Peg Morrison, Chief Program Officer; Supervisor Bierman.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

000852 [Library and Friends and Foundation Agreement]

Supervisor Kaufman

Ordinance approving a Memorandum of Understanding, dated as of July 1, 1999, between the San Francisco Public Library and the Friends and Foundation of the San Francisco Public Library ("Friends and Foundation") for use of space in the Main Library building for the performance of library-related services, generation of revenues for library department purposes, and assurance of private funds to provide support on an ongoing basis for the San Francisco Public Library System; amending Article XIII, Chapter 10, Part I of the San Francisco Municipal Code ("Administrative Code") by adding Section 10.116-6 thereto, authorizing the City Librarian, or his or her designee, to accept and expend any individual gifts from the Friends and Foundation of a value of $25,000 or less; and authorizing and approving certain agreements to be made between the City and the Friends and Foundation as contemplated by such MOU, including a lease of office and gift store space and an agreement giving the Friends and Foundation the right to manage the meeting rooms, auditorium and other space for private functions and special events and to charge fees for such uses. (Public Library)

(Fiscal impact.)

5/8/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

5/22/00, SUBSTITUTED. Submitted by Supervisor Kaufman.

5/22/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Susan Hilldreth, Acting City Librarian; Supervisor Yee; Kate Petrucione, Aide to Supervisor Kaufman; Supervisor Bierman. Oppose: James Chaffey; Daja Bowler; Earnestine Weiss; Peter Warfield; Ms. Simpson, Gray Panthers.

Continued to August 2, 2000.

CONTINUED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001137 [PUC-Santa Clara Valley Water District agreements for the Intertie Pipeline and Pump Station Project]

Resolution authorizing the General Manager of the Public Utilities Commission to execute an agreement on behalf of the City and County of San Francisco. (Two agreements with Santa Clara Valley Water District for the development and operation/maintenance of the Intertie Pipeline and Pump Station Project in the City of Milpitas.) (Public Utilities Commission)

(Fiscal impact.)

6/14/00, RECEIVED AND ASSIGNED to Finance and Labor Committee

Heard in Committee. Speakers: Harvey Rose, Budget Analyst, Larry Klein, Acting General Manager, Public Utilities Commission.

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001050 [Bookstore 5-year concession lease at S.F. International Airport at a minimum annual rent of $1,153,000 for the first year]

Resolution approving the North Terminal Bookstore Lease between Books, Inc and the City and County of San Francisco, acting by and through its Airport Commission. (Airport Commission)

6/2/00, RECEIVED AND ASSIGNED to Finance and Labor Committee

Heard in Committee. Speakers. Harvey Rose, Budget Analyst; Jon Ballesteros, Airport

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001130 [Airport Concession Lease - North Terminal Newsstand for a term of 5 years, at a minimum annual rent of $512,256 for the first year]

Resolution approving the North Terminal Concourse Newsstand Lease between CalStar Retail, Inc and the City and County of San Francisco, acting by and through its Airport Commission. (Airport Commission)

6/12/00, RECEIVED AND ASSIGNED to Finance and Labor Committee

Heard in Committee. Speakers: Harvey Rose, Budget Analyst. Jon Ballesteros, Airport

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001138 [Prop J, Contracting Out Budget Analyst Services]

Resolution concurring with the Controller's certification that Budget Analyst services can be practically performed by private contractor for lower cost than similar work services performed by City and County employees. (Clerk of the Board)

6/14/00, RECEIVED AND ASSIGNED to Finance and Labor Committee

Heard in Committee. Speaker: Ed Harrington, Controller.

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001249 [Second Amendment to Moscone Project Lease (George R. Moscone Convention Center Lease Revenue Bonds, Series 1988 and 1992)]

Resolution approving and authorizing the execution and delivery of a Second Amendment to project lease and certain related actions. (Mayor)

7/5/00, RECEIVED AND ASSIGNED to Finance and Labor Committee. Department requests this item be calendared at the July 19, 2000 meeting.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Sarah Hollenbeck, Mayor's Budget Office; Supervisor Yee.

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

000216 [Transportation for Welfare to Work participants]

Supervisor Bierman

Hearing to determine what, if any, measures have been adopted by Muni to ensure that those participating in the Welfare to Work programs are provided with adequate means of reaching their places of employment, especially transportation for nighttime employees, particularly those employed at the San Francisco Airport.

1/31/00, RECEIVED AND ASSIGNED to Transportation and Land Use Committee.

3/28/00, TRANSFERRED to Finance and Labor Committee.

4/5/00, CONTINUED TO CALL OF THE CHAIR.

5/10/00, CONTINUED. Heard in Committee. Speakers: Joyce Miller, Coalition on Homelessness. Continued to July 19, 2000.

Heard in Committee. Speaker: Earnestine Weiss.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

ADJOURNMENT

The meeting adjourned at 2:00 p.m.

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

July 13, 2000

TO: Finance and Labor Committee

FROM: Budget Analyst

SUBJECT: July 19, 2000 Finance and Labor Committee Meeting

Item 1 – 00-0855

Department: Public Transportation Commission
Municipal Railway (MUNI)

Item: Resolution approving an agreement between the City and County of San Francisco and the Bay Area Rapid Transit District (BART) authorizing payment from BART to the Municipal Railway (MUNI) for transfer trips provided in Fiscal Year 1999-2000.

Amount: $2,175,648

Description: The proposed resolution would approve an agreement between the City and BART for BART to reimburse MUNI an amount of $2,175,648 for FY 1999-2000. BART makes this annual payment to compensate for BART patrons who use MUNI for the purposes of linking up with BART. This BART payment to MUNI for FY 1999-2000 of $2,175,648 is $109,135 more than the BART payment to MUNI for FY 1998-1999 of $2,066,513.

According to Ms. Linda Coquia of MUNI, a payment by BART to the City is mandated by the Metropolitan

Transportation Commission (MTC). The payment of $2,175,648 for FY 1999-2000 is based on the prior year's payment, which was $2,066,513 for FY 1998-1999, with adjustments for changes in the amount of funding allocated to BART from the collection of Sales Taxes in three of the four counties BART travels through – San Francisco, Alameda and Contra Costa. Ms. Coquia advises that although San Mateo County is partially traversed by BART, its residents are not charged Sales Taxes to provide funding for BART.

Comments:

1. Ms. Coquia reports that the proposed payment of $2,175,648 is $30,594 more than the $2,145,054 estimated payment from BART included MUNI's FY 1999-2000 budget. According to Ms. Peg Stevenson of the Controller's Office, the surplus revenue of $30,594 will result in a reduced General Fund contribution to MUNI in FY 1999-2000 in an equivalent amount.

2. Ms. Coquia advises that BART has made annual payments to MUNI under agreements similar to the proposed Agreement since FY 1986-1987. The Attachment, provided by MUNI, contains a schedule of such annual payments made to MUNI by BART since FY 1990-1991.

3. The proposed Agreement contains a mutual indemnification provision which states that the City and BART agree to indemnify, save harmless and defend each other, each other's officers, agents and employees from legal liability of any nature or kind on account of any claim for damages to property or personal injuries to or death of person or persons to the extent that any such claims are caused by or result from, and in proportion to, the negligent acts or omissions or willful misconduct of the indemnifying party, its directors, officers and employees, unless such claims arise out of the sole negligence or willful misconduct of the party seeking indemnification or its directors, officers, agents and employees.

According to Mr. Keith Grand, the City's Risk Manager, the additional risks to the City as a result of the mutual indemnification provision contained in the proposed

Agreement are negligible, and Mr. Grand has recommended approval of the mutual indemnification provision.

4. According to Ms. Coquia, the subject resolution incorrectly states that the Public Transportation Commission adopted Resolution No. 00-041 on April 25, 2000, authorizing the Director of Public Transportation to execute the proposed agreement with BART for FY 1999-2000. The subject resolution should be amended to state that the Public Transportation Commission adopted Resolution No. 00-041 on May 2, 2000.

Recommendations:

1. Amend the proposed resolution to change the date the Public Transportation Commission adopted Resolution No. 00-041 from April 25, 2000 to May 2, 2000, in accordance with Comment No. 4 above.

2. Approve the proposed resolution, as amended.

Attachment

SAN FRANCISCO MUNICIPAL RAILWAY
FINANCIAL REPORTING & SYSTEMS UNIT
425 Mason street, 3RD Floor, San Francisco, CA 94102
TEL(415) 923-2597 FAX (415) 923-2439

PUBLIC TRANSPORTATION COMMISSION PTC

BART TRANSFER PAYMENTS TO MUNI FROM FY 1991 THROUGH FY 2000

Fiscal Year	Payments	% Increase
1990-91	$1,537,600	
1991-92	1,562,100	1.59%
1992-93	1,511,900	-3.21%
1993-94	1,546,252	2.27%
1994-95	1,574,119	1.80%
1995-96	1,650,823	4.87%
1996-97	1,806,913	9.46%
1997-98	1,934,563	7.06%
1998-99	2,066,513	6.821%
1999-2000	2,175,648	5.28%

Note:

BART Feeder calculation of the annual transfer pyament from BART to MUNI is based on the prior year's payment and the rate of growth of BART Sales Tax Revenue over the prior two years. Info provided by Joseph D. Evinger of BART.

Item 2 – File 00-0857

Department: Department of Child Support Services

Item: Resolution approving the Controller's certification that legal process server services can continue to be practically performed for the Department of Child Support Services (formerly the District Attorney, Family Support Bureau) by a private contractor for a lower cost than similar services performed by City and County employees.

Services to be Performed: Legal Process Servers for the Department of Child Support Services

Description: Charter Section 10.104 provides that the City may contract with private firms for services which had been performed by City employees if the Controller certifies, and the Board of Supervisors concurs, that such services can in fact be performed by private firms at a lower cost than similar work services performed by City employees.

The Controller has determined that contracting for legal process servers for FY 2000-2001 would result in estimated savings as follows:

City-Operated Service Costs	Lowest Salary Step	Highest Salary Step
Salaries	$277,427	$327,652
Fringe Benefits	89,693	97,589
Total	$367,120	$425,241
Operating Costs		
Automobile Costs	$27,300	$27,300
Other Operating Costs	33,000	33,000
	$60,300	$60,300
Total	$427,420	$485,541
Contractual Services Cost	176,359	181,141
Estimated Savings	$251,061	$304,400

Comments:

1. According to Mr. Merlin Zimmerly of the Department of Child Support Services (formerly the Family Support Bureau in the District Attorney's Office), legal process server services were first certified, as required under Proposition J (Charter Section 10.104) in 1985. Since that time, legal process server services have been continuously provided by an outside contractor and been certified by the Controller for each contract renewal.

2. According to Ms. Violet Lee-Fong of the Purchasing Department, the original contract with the current contractor, L & L Legal Assistance, was for the one-year period July 1, 1996 through June 30, 1997. Each year since July 1, 1997, the Purchasing Department has exercised its option to extend the contract for a one-year period. According to Ms. Lee-Fong, L & L Legal Assistance is certified by the Human Rights Commission (HRC) as a Minority Business Enterprise (MBE).

3. The Contractual Services Cost used for the purpose of this analysis is based on L & L Legal Assistance's projected actual costs for FY 2000-2001.

4. According to Ms. Lee-Fong, the Purchasing Department recently issued a Request for Proposal (RFP) for legal process server services and the bids are due by August 4, 2000. If this proposed resolution is approved, the Purchasing Department would enter into a new contract for legal process server services beginning approximately October 1, 2000. Ms. Lee-Fong advises that L& L Legal Assistance is currently performing legal process server services on a carryover month-to-month basis at the FY 1999-2000 rates.

5. According to Mr. Zimmerly, the projected contractor costs are based on the volume of activity and are not a fixed cost. The projected volume of activity for FY 2000 – 2001 is the same as in prior years. The cost of contracting for legal process servers would be based on the actual volume of services provided.

6. The budgeted automobile cost of $27,300 is based on reimbursing legal process servers $0.31 per mile for

traveling an estimated 88,065 miles each year. Mr. Zimmerly notes that this mileage estimate is the same as in prior years. Other operating costs represent telephone and materials and supplies expenses.

7. The Controller's supplemental questionnaire with the Department's responses is shown as an Attachment to this report.

Recommendation: Approve the proposed resolution.

BOARD OF SUPERVISORS
BUDGET ANALYST

CHARTER 8.300-1 (PROPOSITION J) QUESTIONNAIRE

DEPARTMENT: D.A. Family Support Bureau

CONTRACT SERVICES: Legal Process Service

CONTRACT PERIOD: July 1, 2000 - June 30, 2001

1) Who performed activity/service prior to contracting out?

Four Family Support Bureau staff, 2 8102 Process Servers and 2 8156 FSB Investigator IIs. At that time, however, the volume of required services was significantly lower that the current need.

2) Number of City employees laid off as a result of contracting out?

Two vacant position (2 8102s) were deleted in FY 84-85 budget.

3) Explain disposition of employees if they were not laid off?

N/A

4) What percentage of City employee's time is spent on services to be contracted out?

N/A

5) How long have the services been contracted out? Is this likely to be a one-time or an ongoing request for contracting out?

Since Fiscal Year 1985-86. Ongoing.

6) What was the first fiscal year for a Proposition J certification? Has it been certified for each subsequent year?

Fiscal Year 1985-86. Yes.

7) How will contract services meet the goals of your MBE/WBE Action Plan?

Current contractor is a Minority Business Enterprise (MBE).

8) Does the proposed contract require that the contractor provide health insurance for its employees? Even if it is not required, does the proposed contractor provide health insurance for its employees?

Contract does not require contractor to provide health insurance. However, current contractor does provide health insurance.

9) Does the proposed contractor provide benefits to employees with spouses? If so, are the same benefits provided to employees with domestic partners? If not, how does the proposed contractor comply with the Domestic Partners ordinance?

Current contractor provides the same benefits to all employees.

Department Representative: Merlin Zimmerly

Telephone Number: (415) 356-2979

Item 3 - File 00-1080

Department: Department of Human Services (DHS)

Item: Hearing to consider release of $60,000 in reserved funds to fund the CalWORKS College Scholarship program.

Amount: $60,000

Source of Funds: General Fund monies reserved in the Fiscal Year 1999-2000 Department of Human Services budget.

Description: During the FY 1999-2000 budget hearings, the Finance and Labor Committee recommended and the full Board of Supervisors approved that $200,000 for the CalWORKS College Scholarship Program be placed on reserve pending submission of program budget details. Of the amount of $200,000, the Finance and Labor Committee approved release of $140,000 to fund the CalWORKS scholarships in March of 2000 (File 00-0348) and retained $60,000 on reserve to fund administrative costs, which include (a) administration and disbursement of the cash grants and (b) a mentoring program for CalWORKS scholarship recipients, pending submission of budget details.

Approval of the proposed release of reserved funds in the amount of $60,000 would authorize DHS to enter into a contract with Lifetime, a non-profit organization, which was selected by DHS through a Request for Proposal (RFP) process, to administer the CalWORKS College Scholarship Program.

Budget: The summary budget for the proposed contract with Lifetime is as follows:

Salaries and benefits	$51,964
Operating expenses	24,826
Capital expenses	1,000
Subtotal	$77,790
Hewlett Foundation grant	(17,790)
Balance of funds needed	$60,000

The Attachment, provided by DHS, contains budget details for the summary budget noted above.

Comments:

1. According to Ms. Janet Diamond of DHS, the scholarship program would provide scholarships in FY 2000-01, ranging from approximately $1,400 to $2,800 each, to approximately 70 eligible CalWORKS participants who are pursuing college degrees which extend beyond their 18 to 24 month limit for CalWORKS aid and services. Ms. Diamond states that the amount of $140,000, which was released by the Board of Supervisors in March of 2000, has not been expended and is available to fund scholarships in FY 2000-01. Ms. Diamond advises that such funds were not expended prior to June 30, 2000, because no CalWORKS participants had reached the 24-month limit for receiving aid, which is a requirement for the scholarship program. In addition to the $140,000 in General Fund monies for scholarships, Lifetime would provide a grant of $42,000 for scholarships, for a total scholarship amount of $182,000.

2. According to Ms. Diamond, the proposed contract with Lifetime would include (a) administration and disbursement of cash grants to eligible program participants, and (b) a mentoring program to assist CalWORKS College Scholarship Program participants in achieving their school goals. Under the proposed contract Lifetime would recruit and train volunteer mentors to assist program participants in their schoolwork, including maintaining a full-time course load with a grade point average of at least 2.0, and making the transition into the work environment. Lifetime would also assist students in solving problems they might encounter with childcare or other family needs. Lifetime would perform outreach to professional organizations to recruit mentors and to provide a network for career development, provide mentor screening and training, and provide intervention if the student encounters school or family problems.

Under the proposed contract Lifetime would subcontract with a nonprofit organization, Scholarship Management Services, and allocate $6,000 of the $77,790, for the administration and disbursement of the cash grants. Under the contract with Lifetime, DHS would determine

which students are eligible for the CalWORKS College Scholarship Program and would jointly develop a timeline for disbursement of cash grants with the contractor, Lifetime, and the subcontractor, Scholarship Management Services. Lifetime and Scholarship Management Services would jointly develop the grant application form, and Scholarship Management Services would forward the forms to eligible participants, verify school enrollment, and disburse the cash grants.

Recommendation: Approve the proposed resolution

	A	B	C	D	E
1				Appendix B, Page	1
2				Document Date	5/31/2000
3	**DEPARTMENT OF HUMAN SERVICES CONTRACT BUDGET SUMMARY**				
4	**BY PROGRAM**				
5	Contractor's Name			Contract Term	
6	Low-Income Families' Empowerment through Education (dba LIFETIME)			6/15/00-6/30/01	
7	(Check One) New XX Renewal ____ Modification ____				
8	If modification, Effective Date of Mod. No. of Mod.				
9	Program CalWORKs Grant Fund Management/Mentoring Program				Total
10	Budget Reference Page No.(s)				
11	Program Term				6/15/00-6/30/01
12	**Expenditures**				
13	Salaries & Benefits				$51,964
14	Operating Expense				$24,826
15	Capital Expenditure				$1,000
16	**Subtotal**				$77,790
17	Indirect Percentage (%)				0
18	Indirect Cost (Line 16 X Line 17)				$0
19	Total Expenditures				$77,790
20	**DHS Revenues**				
21	General Fund				$60,000
22					
23					
24					
25					
26					
27					
28					
29	TOTAL DHS REVENUES				$60,000
30	**Other Revenues**				
31					
32	Hewlett Foundation Grant				$17,790
33					
34					
35					
36	Total Revenues				$77,790
37	Full Time Equivalent (FTE)				1.35
39	Prepared by: ER		Telephone No.:		Date 5/31/00
40	DHS-CO Review Signature:	____________________			
41	DHS #1				2/1/2000

	A	B	C	D	E	F	G	H
1							Appendix B, Page 2	
2							Document Date: 5/31/00	
3								
4	Program Name:							
5	(Same as Line 9 on DHS #1)							
6								
7				**Salaries & Benefits Detail**				
8								
9								
10								
11	TERM	6/15/00-6/30/01						
12	POSITION TITLE	FTE	SALARIES	FTE	SALARIES	FTE	SALARIES	TOTAL
13	Executive Director	0.30	$13,500					$13,500
14	Program Director	0.50	$16,000					$16,000
15	Program Assistant	0.50	$12,500					$12,500
16	Finance Assistant	0.05	$1,303					$1,303
17								
18								
19								
20								
21								
22								
23								
24								
25								
26								
27								
28								
29								
30	TOTALS	1.35	$43,303					$43,303
31								
32								
33	EMPLOYEE FRINGE BENEFITS	0.20	$8,661					$8,661
34								
35								
36	TOTAL SALARIES & BENEFITS		$51,964					$51,964
37	DHS #2							2/1/2000

Appendix B, Page 3
Document Date: 5/31/00

Program Name:
(Same as Line 9 on DHS #1)

Operating Expense Detail

Row	Expenditure Category	TERM 6/15/00-6/30/01			TOTAL
13	Rental of Property	$3,115			
14	Utilities(Elec, Water, Gas, Phone, Scavenger)	$4,569			
15	Office Supplies, Postage	$2,078			
16	Building Maintenance Supplies and Repair	$346			
17	Printing and Reproduction	$865			
18	Insurance	$846			
19	Staff Training	$3,500			
20	Staff Travel-(Local & Out of Town)	$1,087			
21	Rental of Equipment				
22	CONSULTANT/SUBCONTRACTOR DESCRIPTIVE TITLE				
23	Scholarship Mgmt Service	$6,000			
24	Bookkeeper	$1,820			
25	Computer Consultant	$600			
26					
27	OTHER				
28					
29					
30					
31					
32					
33					
34	TOTAL OPERATING EXPENSE	$24,826			

DHS #3 2/1/2000

	A	B	C	D	E	F
1					Appendix B, Page 4	
2					Document Date: 5/31/00	
3						
4	Program Name:					
5	(Same as Line 9 on DHS #1)					
6						
7		Capital Expenditure Detail				
8		(Equipment and Remodeling Cost)				
9						TOTAL
10	EQUIPMENT	TERM	6/15/00-6/30/01			6/15/00-6/30/0
11	No.	ITEM/DESCRIPTION				
12	1	Computer	$1,000			$1,000
13						
14						
15						
16						
17						
18						
19						
20	TOTAL EQUIPMENT COST		$1,000			$1,000
21						
22	REMODELING					
23	Description:					
24						
25						
26						
27						
28						
29	TOTAL REMODELING COST					
30						
31	TOTAL CAPITAL EXPENDITURE					$1,000
32	(Equipment and Remodeling Cost)					
33	DHS #4					2/1/2000

Item 4 - File 00-0985

Department: Public Utilities Commission (PUC)

Item: Resolution approving the Public Utilities Commission Program Management Services Contract with the San Francisco Water Alliance, a joint venture of Bechtel Infrastructure Corporation, The Jefferson Company, and Sverdrup Civil, Inc.

Amount: Up to $45,000,000 over four years. According to Mr. Michael Quan of the PUC, this maximum contract amount comprises an estimated (a) $8,000,000 for Contract Year 1, (b) $14,000,000 for Contract Year 2, (c) $12,000,000 for Contract Year 3, and (d) $11,000,000 for Contract Year 4.

According to Mr. Manfred Wong of the PUC, the amount of $45,000,000 was initially approved by the PUC Commissioners on the basis of an estimated cost of $15,000,000 for each of three main categories of work to be performed by the Contractor over the term of the subject contract. The relative proportions of estimated costs of each of these categories of work are as follows:

(1) The Program Management Office, which would provide advice on the overall direction of the program, is estimated to cost approximately $12,000,000 over the four year contract.
(2) Project and construction management services are estimated to cost approximately $14,500,000.
(3) Technical support services are estimated to cost approximately $18,500,000.

Source of Funds: Mr. Wong states that the PUC expects to fund the subject contract through existing bonds[1], operating revenues, and future bond proceeds, progressively securing funding as the capital improvement program proceeds. Mr. Wong states that if future bond funding for the proposed capital improvement program is not approved by the voters or

[1] In November of 1997, San Francisco voters approved $304,000,000 in Water Revenue Bonds. The PUC can also utilize $238,000,000 remaining available funds from bonds issued in 1991, 1992, and 1996 for the replacement of existing facilities and for compliance with Federal and State law. Mr. Wong advises, however, that funding beyond these approved amounts, which total $542,000,000, is uncertain.

funding for the capital improvement program is not appropriated by the Board of Supervisors, the Contractor would not be requested or paid to perform program management services. According to Mr. Wong, the PUC believes that over the course of the 10 to 15 year capital improvement program, the cost of program management services contractors would be offset by the savings generated by the Contractor. Mr. Wong states that program management services contracts' ability to offset costs through savings have been demonstrated internationally. The PUC has not, however, provided substantive data to prove this assertion. Furthermore, the subject contract neither (a) quantifies the savings expected by the PUC, (b) specifies the performance measures which would determine the extent of program cost savings, nor (c) specifies the relationship between savings and Contractor remuneration.

Description: Under the subject contract, the Contractor would provide program management services to the PUC to organize and implement its capital improvement program by:

- Providing specialized expertise in the management of very large capital programs.
- Improving the PUC's engineering and construction operations by developing program management and control plans, systems, tools, and reports.
- Providing personnel for workload peaks (except on detailed design work).
- Identifying new financing sources which could include State loans, Bay Area Water Users Association financing, Joint Powers Authority financing, design-build projects without ownership and transfer, lease purchases, sale-leaseback, and sale or lease of unproductive assets such as excess property owned by the PUC.
- Designing a PUC staff development program.
- Developing a public information program.
- Assisting disadvantaged business enterprises.

With regard to assisting disadvantaged business enterprises, program participation goals of 30 percent minority-owned business enterprise (MBE) participation and 10 percent women-owned business enterprise (WBE) participation would apply to the first year of the subject contract. MBE program participation goals would increase 2 percent

annually and WBE participation would increase 1 percent annually. According to information provided by Mr. Quan, the Contractor's actual MBE/WBE participation rate will be in excess of the minimum first year requirements.

Background: In February of 1998, the PUC published a draft of its long-term water enterprise capital improvement plan. The plan proposed a 12 year capital improvement program comprising approximately 200 water projects for a total cost of approximately $3,500,000,000 to (a) upgrade the water system infrastructure, (b) respond to increasing service demands, and (c) fulfil new regulatory requirements.

Having undertaken initial program planning, the PUC proposed contracting out the program management of the capital improvement program. The initial concept was for a ten year program management services contract (renegotiable every four years). Under that proposed contract, a chief program management contractor would report directly to the PUC Commissioners and contractor staff would provide long term assistance to UEB staff with a senior consultant team reporting to the UEB Manager. The proposed concept for the integration of PUC and contractor staff was that they would share decision-making responsibilities and would share the program risks.

Following PUC staff members' December 15, 1998 presentation to the Commission on the proposed capital improvement program, the Commission authorized the drafting of a Request for Proposals (RFP). As part of the RFP drafting process, in February of 1999 the PUC consulted with the International Federation of Professional and Technical Engineers (IFPTE) Local 21, AFL-CIO. In March of 1999, the IFPTE sought an injunction against the subject contract on the grounds that (a) Section 10.104 of the City Charter prevents contracts with private companies for program management services until the Controller and the Board of Supervisors have determined that such work can performed under private contract at a lower cost, and (b) its members would be unlawfully deprived of public sector work they could competently perform at a lower cost. On March 13, 2000 the San Francisco County Superior Court issued a summary judgement in favor of the PUC and against the IFPTE on the grounds that Charter Section 10.104 did not

apply and hiring a program management contractor was justified by (a) the urgent need for the capital improvement program, (b) the PUC's need for specialized expertise over and above its commitment to hire more engineering staff, (c) the temporary nature of the program management contractor's services, (d) the PUC's potential need for engineering assistance to staff temporary peak workloads, (e) the speculative nature of the IFPTE's claim that there would be duplication or displacement of PUC staff, and (f) the Civil Service Commission's approval of the subject contract on June 4, 1999. According to Ms. Linda Ross of the City Attorney's Office, the IFPTE has subsequently filed a Notice of Appeal. As of the writing of this report, the Budget Analyst has no further information on the status of this appeal.

During the lawsuit, negotiations between the PUC and the IFPTE significantly scaled down the subject contract's original concept. The RFP, as advertised in July of 1999, was for a four year contract not to exceed $45,000,000 (depending on availability of funding), in which as-needed contractor staff would report to UEB managers. There would be no direct reporting line to the PUC Commissioners, PUC management would retain full decision-making responsibilities, and contractor staff would not directly supervise City employees.

Four private firms and joint ventures submitted bids on September 15, 1999. These were:

- San Francisco Water Alliance, a joint venture of (1) Bechtel Infrastructure Corporation, (2) The Jefferson Company, and (3) Sverdrup Civil, Inc., in association with (a) Olivia Chen Consultants, Inc., (b) Carollo Engineers, (c) Raines, Melton & Carella, Inc., (d) Cooper Pugeda Management Inc., (e) Greg Roja and Associates, Inc., (f) Whitted Dawson Associates, Inc., and (g) Orion Environmental Associates.
- The H_2O Partnership, a joint venture between (1) O'Brien-Krietzberg Associates, (2) CH2M HILL, and (3) EPC Consultants, Inc, in association with (a) Cornerstone Concilium, Inc., (b) DAJA, Inc., (c) Mendoza and Associates, (d) Saylor Consulting Group, (e) JFW Consultants, (f) Pendergast & Associates, (g) Butler

Enterprise Group, (h) Micro Search Environmental, (i) Ocampo-Esta Corporation, and (j) Cervantes Design Associates.

- San Francisco Water Associates, a joint venture between Parsons Infrastructure and Technology Group Inc., AGS Inc., and Don Todd Associates, Inc., in association with 11 subcontractors.
- Montgomery Watson Americas, Inc., in association with 27 subcontractors.

A team of City staff comprising Ms. Virigina Harmon of the Human Rights Commission, Mr. Bill Keany of the PUC, Mr. Paul Mazza of the PUC, Mr. Quan, and Mr. Wong reviewed all four proposers by means of client site visits during November and December of 1999. A four member expert evaluation panel then interviewed the four proposers and scored each of them against the criteria set out in the RFP (as shown in Attachment I). This evaluation panel consisted of Dr. Johnnie Clark, a financial consultant, Ms. Margaret Leporte, representing the Bay Area Water Users Association, Ms. Raynetta Grant, a local government water utility engineering manager, and Mr. Kevin Lyons of the PUC. The evaluation team scored the H_2O Partnership proposal highest (with a score of 2,780[2]) and the San Francisco Water Alliance second highest (with a score of 2,700). Montgomery Watson Americas, Inc. scored 2,480, while San Francisco Water Associates scored 2,460. The PUC Commissioners interviewed the top two scoring joint ventures at a public meeting on April 7, 2000, and indicated a preference for the San Francisco Water Alliance, subject to successful negotiations over contract costs. No reason was given as to why the Commissioners gave first preference to the San Francisco Water Alliance which had previously received a lower score from the expert evaluation panel than the H_2O Partnership. On May 10, 2000, the PUC awarded the proposed contract to the San Francisco Water Alliance subject to final contract negotiation and approval of the Board of Supervisors.

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[2] Scores are calculated by multiplying the qualitative score for each one of the six criteria by the respective weight to obtain the weighted score for each of the criteria. For example, the weight for Criterion 6 (Understanding of SFPUC Program) is 10; therefore, a qualitative score of 5 will translate into a weighted score of 50 for an individual evaluator.

Terms of the Subject Contract: Key contractual terms and conditions are as follows:

- The City can, at its sole discretion, terminate the subject contract at any time.
- The City has no obligation to fund the subject contract in lieu of funding other contracts.
- The subject contract can only be extended beyond the initial term of four years with the Civil Service Commission's approval[3].
- The PUC controls the Contractor's role and assignments in terms of an annual implementation plan based, in part, on an annual performance review jointly conducted by the PUC and the Contractor. As a result of the annual review and the annual implementation plan, the City and the Contractor would determine the contractor staffing required during the next 12 months and the necessary contract budget.
- Contractor and City staff would share City office space[4] and work in combined teams under PUC managers.
- Existing City staff would be used to the fullest extent. City engineers (or third party contractors) are the Engineers of Record[5] and construction managers for all capital improvement projects. The Contractor obtains written authorization from the City before (a) adding staff or subcontractors to its team, or (b) supplying personnel to provide expert services or to handle workload peaks.
- The Contractor trains PUC personnel in systems, techniques, or technology used by the Contractor.
- The Contractor assigns a core team of experienced individuals (named in the subject contract's appendices) for the duration of the contract. Replacements for key personnel are subject to the City's agreement.

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[3] In the opinion of Ms. Ross, any extended contract would require (a) separate Civil Service Commission authorization, and (b) Board of Supervisors approval if the extended contract would cost the City more than $10,000,000.

[4] According to Ms. Wendy Iwata of the PUC, the PUC plans to spend approximately $300,000 in FY 2000-01 to renovate City office space for contractor staff.

[5] The "engineer of record" is a State requirement that a certified engineer be legally responsible for approving the design of a structure so that it is safe for public occupancy. The engineer of record assumes liability for the design for both the duration of the contract and for the subsequent warranty period. While the proposed contract does not allow the Contractor to assume this role, it would permit the Contractor to provide preliminary or conceptual engineering services and prepare schematic drawings to the extent necessary to define upcoming capital projects.

- The Contractor's performance is subject to third party audit[6].
- The Contractor reports monthly to the PUC on its performance.
- To prevent conflicts of interest, the Contractor and its subcontractors cannot bid on PUC design proposals or construction contracts during the term of the subject contract.
- The Contractor is an independent consultant fully liable for its acts and omissions.
- During disputes, the Contractor and subcontractors waive all rights to discontinue services or seek any relief which would stop or delay the progress of capital improvement projects.

Proposed Contractor Remuneration: Within an upper cap of $45,000,000 over four years, under the subject contract the PUC would pay the Contractor through a combination of (a) direct salary costs (not including fringe benefits), (b) overhead costs (including fringe benefits), (c) a combination of fixed and performance fees, (d) administrative fees, and (e) other direct charges. To date, the PUC has not prepared an estimate breaking down the $45,000,000 budget into these five remuneration categories, according to Mr. Wong.

(a) Direct salary costs: Under the subject contract, direct salary costs would be limited to the actual salaries of the Contractor's project managers and technical staff. Charges for home office staff such as secretaries, clerks, and accountants would be included in the overhead for work charged at the Contractor's offices except those working directly on the project as approved and budgeted by PUC project managers in the relevant task order. The subject contract specifies the direct hourly rate for key individual contractor staff (ranging in Contract Year 1 between $30.00 to $76.15 per hour without overhead). The billing rate for Contractor staff including overhead, which comprises direct salary plus a multiplier, is capped at $140.00 per hour in the first year (the PUC General Manager can approve exceptions) but can be adjusted in accordance with the

[6] According to Mr. Wong, the PUC is in discussions with the City Controller's Office about the Controller's involvement in such audits.

Consumer Price Index thereafter. Salary rates can be adjusted annually by the amount of the change in the Consumer Price Index (CPI) for the previous year[7].

(b) Overhead Fees: Before the end of the first year of the subject contract, the Contractor would arrange for an independent audit of the overhead costs applied to direct salary costs. According to Mr. Wong, this audit would be performed by an independent auditor and would be reviewed by the Controller's Office in accordance with the standards of the Code of Federal Acquisition Regulations. Pending this audit, in the first year of the contract (depending on the actual results determined by the audit), provisional overhead fees would range between (a) 125 and 154 percent of direct salary costs for work performed by the prime consultants in their own offices, (b) 78 and 172 percent of direct salary costs for work performed by subcontractors in their own offices, (c) 104 and 115 percent of direct salary costs for work performed by the prime consultants in PUC offices or construction sites, and (d) 113 percent of direct salary costs for work performed by the subcontractors in PUC offices or construction sites. The overhead rates would be adjusted annually, based on the annual audit. However, in no case can the audited overhead rate for any prime consultant or subcontractor exceed (a) 172 percent for work performed in their own offices, or (b) 115 percent for work performed in PUC offices or construction sites (117 percent if payroll tax is included). According to information provided by Mr. Quan, the negotiated overhead rates appear to be comparable with those negotiated for other large public sector capital improvement programs.

(c) Fixed and Performance Fees: In addition to direct salary costs and related overhead fees, the Contractor would also be remunerated on the basis of the "performance/at-risk fee" arrangement outlined in the Table below, depending on the Contractor's achievement of tasks prescribed by the City, each task having a specific scope of work, timeframe, guaranteed maximum cost structure, savings target, and other performance measures. Assuming successful task completion, the Contractor receives a fixed fee as a

[7] Adjustments for individual Contractor employees could exceed the maximum CPI movement provided that the total adjustment dollars for Contractor employees dedicated to the subject contract does not exceed the maximum dollars based on the total direct salary paid on the contract for the previous year plus the CPI.

percentage of the Contractor's contract billing for that task[8]. Assuming partial or complete achievement of the savings target and other performance measures, the Contractor receives some or all of an at-risk performance fee as a percentage of the Contractor's contract billing for that task. The percentage levels for both fixed and performance fees vary by contract year, as shown in the table below:

Contract Year	Fixed Fee as Percentage of Annual Contract Billing	Performance Fee as Percentage of Annual Contract Billing	Maximum Total
1	8.0%	0.0%	8.0%
2	7.0%	4.5%	11.5%
3	6.0%	5.5%	11.5%
4	5.0%	6.5%	11.5%

According to information provided by Mr. Quan, the maximum total annual fee for Contract Years 2 through 4 appears to be at the low end of the range of fees payable to program management services contractors involved in other public sector capital improvement programs.

According to Mr. Wong, the fixed fee component would be paid by the City as invoices are submitted by the Contractor, while the performance fee component would be paid by the City semi-annually.

(d) Subcontractor Administrative Fee: The PUC would also pay an administrative fee to the Contractor's joint venture partners of 3 percent of subcontractors' direct salaries plus overhead costs. Mr. Wong states that this administrative fee reimburses the Contractor for some of the administrative costs related to managing a number of Disadvantaged Business Enterprise subcontractors. According to Mr. Wong, the 3 percent rate compares

[8] "Contract billing" comprises just the Contractor's billing for work performed. It includes neither authorized pass-throughs for other direct costs nor the fee amounts paid by the City for subcontractors' invoices.

favorably to the industry average of 5 percent for such administrative fees.

(e) Other Direct Charges: All other direct charges incurred by the Contractor would be approved in advance by the Manager of the UEB and would be reimbursed at cost. Such charges would be limited to out-of-town travel, messenger services, specialty printing, specialized software and hardware, and specialized services, materials, and equipment not provided by the PUC. Any equipment purchased through this contract would become the property of the PUC.

Comments: Program Cost Savings

1. UEB staff contend that the subject contract would secure program cost savings by means of economies of scale, program efficiencies, project acceleration, contract negotiation power, increased purchasing power, innovative technology, value engineering[9], and controlled changes to the program's scope and schedule. UEB staff contend that relying on PUC employees to manage the capital improvement program would increase costs because it would lengthen the time taken to complete the program. Although the subject contract does contain a draft scope of work, down to a task level with estimated person hours and budgets, the Budget Analyst notes that the subject contract neither (a) quantifies the level of savings expected by the PUC, (b) specifies the performance measures which would determine the extent of program cost savings (performance measures are still the subject of negotiation between the PUC and the Contractor), nor (c) specifies the relationship between savings and Contractor remuneration.

The PUC argues that performance measures will change each year as a result of the annual implementation plan negotiations to be held between the PUC and the Contractor. Furthermore, the PUC states that the performance measurements to be included in the first year's annual implementation plan can be determined only after the subject contract has been signed and the Contractor has

[9] "Value engineering" is the independent overview of a facilities plan, its design criteria, and its conception at no more than 20 percent of design completion, to ascertain how well and cost effectively a plan addresses the engineering problem it is meant to solve.

begun working with the PUC. While the Budget Analyst concurs that annual review and modification of performance measures is appropriate, the Budget Analyst would expect to see first year performance measures in place (including the required level of program savings to be achieved in the first year by the Contractor) prior to Board of Supervisors approval of the subject contract. The PUC anticipates cost savings to be achieved by the Contractor but has neither quantified them nor provided performance measurement criteria which would permit independent verification of the Contractor's achievement of such savings.

2. The PUC expects the subject contract to result in program savings of at least $45,000,000 in order to cover the maximum costs of the subject contract. However, as noted above, the subject contract does not specify how such program savings would be measured. The PUC's argument that such savings are achievable is supported only by the anecdotal evidence contained in six highly summarized case studies which make up the small sample described in Appendix I (prepared by the Budget Analyst based on information provided by the PUC). The PUC staff's presentation to the PUC Commissioners of three positive examples was accompanied by the disclaimer that "Meaningful measurement of cost savings is difficult ... because the benchmark is often not well defined, and most calculations are based on preliminary estimates of program costs made by the program management contractors themselves." Furthermore, the information presented was gathered verbally by PUC staff and is unsupported by audited written documentation. The second three examples represent a selection of public sector program management failures which neither fully evaluate the root causes of the cost overruns associated with those projects, nor explain how a program management consultant would address those problems. For example, the Budget Analyst notes that the cost of the Boston Central Artery Program has been significantly affected by project scope changes, environmental mitigation, and inflation, three factors which could be equally outside of the control of either public or private sector program managers.

3. PUC retention of overall program management responsibility appears to have the following advantages over

sharing decision-making responsibility with, or delegating such responsibility to, a program management services contractor:

- Program accountability, final decision-making, expenditure authorizations, and overall cost control responsibility reside appropriately with City employees.
- PUC staff members' expertise in local water and sewer systems is maximized.
- City employees are the most familiar with San Francisco's public sector administrative, appropriation, and policy development processes, and with the expenditure requirements of bond-funded programs.
- An organizational focus on the capital improvement program will require the PUC to plan the future management of its infrastructure more strategically.

<u>Personnel Cost Savings</u>

4. PUC staff contend that the subject contract would secure considerable personnel cost savings for three reasons:

(a) The PUC would not need to hire additional staff who would no longer be necessary once they had completed work related to the capital improvement program. PUC staff have not estimated the total amount of these alleged savings. However, given natural staff attrition over a 12 year program comprising approximately 200 diverse projects, the Budget Analyst questions whether the PUC would actually need to terminate any staff after completion of the capital improvement program.
(b) The Contractor could respond more flexibly to changing staffing requirements and workload peaks. The Budget Analyst notes, however, that redeployment or addition of contractor staff is subject to prior PUC approval which raises the question of whether such redeployment or addition of contractor staff would actually be faster than redeploying PUC staff.
(c) Using contract staff would circumvent the difficulties in hiring new permanent staff (see Comments No. 6 and 7 below).

5. Mr. Phil Arnold of the PUC provided an informal comparison of UEB staff classifications at 1998-99 salary

levels with the 1997-98 hourly billing rates for comparable staff employed by a selection of as-needed UEB contractors. Mr. Arnold states that this comparison indicates that the UEB pays more for low level staff, but less for high level staff. Therefore, using the Contractor's more junior staff for peak workloads would be cheaper than the UEB hiring equivalent staff. The Budget Analyst notes, however, that low level staff are likely to perform functions which could be competently performed by City employees. In situations where the UEB only requires specialist technical skills for short periods of time, UEB staff contend that the higher cost of contractor staff is offset by the costs imposed by the civil service hiring constraints described below.

6. PUC staff emphasize the difficulty in hiring permanent City staff, citing the following reasons for hiring delays:

(1) The lengthy process to fill even recently vacated positions for which there is budgetary provision, as shown in Appendix II (prepared by the Budget Analyst based on information provided by Ms. Iwata).
(2) Outdated civil service lists, union protests about list certifications, and the Department of Human Resources' reluctance to permit provisional hires before lists are completely exhausted.
(3) The lack of certain specialist job classes in the Civil Service Commission's classification system which does not permit the PUC to request specific job skills within, for example, the construction management, architect, or engineer classes.

7. As shown in Appendix II, the PUC takes between 33 and 68 weeks (or more) to hire a staff member into a budgeted position. Of this time, the Budget Analyst notes that between 21 and 29 weeks is consumed by processing the filling of a vacancy <u>within</u> the PUC. While the PUC needs to work closely with the other agencies involved in personnel hiring to expedite recruitment, the Budget Analyst strongly recommends that the PUC also streamline its own personnel hiring practices. In a letter dated February 10, 2000 to the California State Auditor, the PUC General Manager wrote that the PUC personnel unit "was increased in 1998 by twelve positions (a growth of approximately thirty percent) to promote additional hiring." Despite these 12 new positions,

and the three new personnel positions approved in the FY 2000-01 budget (a 1204 Senior Personnel Clerk, a 1241 Personnel Analyst, and an 1817 Procedural Writer), the Budget Analyst notes that ongoing internal PUC personnel processing delays seem to continue. Such hiring delays have significantly contributed to the UEB salary underexpenditure of $11,702,490 for the first 11 months of FY 1999-00[10].

8. The Budget Analyst also notes that the PUC has not formulated a rigorous staffing projection beyond FY 2000-2001, even for the short-to-medium term, to staff City positions for the capital improvement program. The PUC has not determined:

- The exact number of full-time equivalent staff the PUC would require if the PUC was to provide all the staff required for its capital improvement program.
- Those staff members' job descriptions, job classifications, and their level of seniority within those job classifications.
- The most appropriate employment conditions for each position (for example permanent civil service, limited tenure, or temporary positions, or personal services contracts).
- When an existing classification could not provide the necessary engineering expertise.
- When staff from other City departments which employ construction management services staff could be used[11].
- The impact of attrition rates on employee turnover within different job classifications.

The Budget Analyst notes that the lack of a staffing projection led the California State Auditor to recommend that the PUC "develop a formal comprehensive plan to outline the staffing requirements necessary to complete its capital improvement plans."

9. The San Francisco Water Alliance has proposed that it will need to employ 45 staff for the first year of the subject contract. According to Ms. Iwata, the PUC is currently

[10] This underexpenditure figure includes both engineer and non-engineer salaries.
[11] Mr. Quan states that a review of DPW, MUNI, the Port, and the Airport undertaken in July and August of 1999 indicated that no such staff are currently available for PUC purposes.

seeking the Contractor's justification for this number of contract staff given that the PUC will need to find office space for them. Without a staffing plan, the Budget Analyst is unable to compare the relative costs and benefits of using City employees versus consultants for the capital improvement program. Furthermore, the Budget Analyst questions what staffing projection criteria the PUC will use to evaluate the Contractor's staffing requests.

PUC Performance and Workload Issues

10. During the three years between FY 1997-98 and FY 1999-00, the PUC capital improvement program budget totaled $402,546,036 (see Attachment I, provided by Mr. Wong). However, during the same three year period, the PUC expended just $265,752,104, or approximately 66 percent, of that capital improvement program budget (see Attachment II, provided by Mr. Wong).

The California State Auditor has expressed concern at the insufficient capital improvement program activity given the identified capital improvement needs. The California State Auditor identified the following causes for capital improvement program management problems at the PUC: the absence of an effective tracking system to monitor the progress of capital projects and the completion of preventive maintenance, much delayed cost and schedule estimates for all identified capital improvement projects, inefficient contracting procedures (see Comment No. 16 below), outdated project operations manuals and procedures, weak capital project and preventive maintenance monitoring, and inadequate formal project management training.

11. As shown in Attachment III, in the five years between FY 1995-96 and 1999-00, the number of filled UEB technical staff positions (denoted as "active engineers" in Attachment III) has increased by approximately 188.7 percent, from 62 to 117. These technical staff are responsible for San Francisco Water Department (SFWD) and Hetch Hetchy Water and Power (HHWP) capital improvement projects only. According to Mr. Wong, under the Memorandum of Understanding between DPW and the PUC which transferred the responsibility for the Clean Water Program (CWP) from DPW to the PUC, DPW engineers remain

responsible for the technical aspects of CWP capital improvement projects which are funded by the PUC.

12. In FY 2000-01, if the FY 1999-00 total of 117 filled technical staff positions is maintained, the current 39 technical staff vacancies are filled, and the 12 new technical staff positions approved for FY 2000-01 are also filled, then there will be 168 filled technical staff positions in the UEB. This represents an approximately 271 percent increase in technical staffing positions since FY 1995-96. The FY 2000-01 capital improvement program budget for SFWD and HHWP is $150,870,700. This represents an average budgeted capital improvement project workload for each of the 168 UEB technical staff in the amount of $898,040 in FY 2000-01.

13. Budget Analyst notes, however, that in terms of actual SFWD and HHWP capital improvement program expenditures between FY 1995-96 and FY 1999-00 (as shown in Appendix III), an average workload per filled UEB technical staff position of $898,040 would be approximately 40.5 percent higher than the previous high average workload of $639,140 in FY 1998-99. Mr. Wong of the PUC argues that the PUC could not achieve a 40.5 percent productivity increase per staff member. The Budget Analyst notes that a number of factors suggest that the PUC should be able to absorb at least a significant portion of that 40.5 percent workload increase:

- The PUC has invested in a number of initiatives to improve productivity, including the implementation of a new automated system to track preventive maintenance requirements, the development of a formal management training program, and wider advertising of the continuing education opportunities for staff.
- A considerable proportion of the new technical staff hired in FY 1999-00 were journey level or above.
- New technical staff received enhanced training in FY 1999-00.
- Long-term UEB technical staffs experience and expertise should increase significantly each year.
- The PUC's pool of technical expertise is growing with the planned increase from 117 to 168 technical staff in the UEB.

The Budget Analyst notes that every 10 percent increase in productivity over FY 1998-99 levels for all 168 UEB technical staff would mean that $10,737,552 less work would need to be assigned to Contractor staff.

14. In addition, the Budget Analyst notes that the UEB augments its staff capacity by (a) assigning SFWD and HHWP projects to DPW, and (b) hiring architecture and engineering consultants through competitive procurement. On August 15, 1997 the PUC signed a Memorandum of Understanding with the DPW for engineering work in excess of UEB's capacity. This Memorandum of Understanding gives DPW the first right of refusal on PUC engineering work which cannot be undertaken by PUC staff.

15. According to Mr. Wong, the PUC is currently developing the latest update of its capital improvement program. As this planning process will not be complete until the Fall of 2000, the PUC is unable to advise the Budget Analyst as to the projected capital improvement program budgets for each of the next four years. Mr. Wong advises that the capital improvement program budgets for each of the next four years are expected to be at least comparable to those in FY 1999-00 ($189,644,430) and FY 2000-01 ($178,870,700). However, it is not possible to calculate with any precision what the workload per UEB technical staff member over the four years of the subject contract will be. Given this, and the absence of a staffing plan (as noted in Comments No. 8 and 9 above), the Budget Analyst questions the PUC's ability to accurately quantify the workload impact of the PUC's capital improvement program on UEB staff and, therefore, the PUC's need for contractor staff to help with workload peaks.

Use of a Single Contractor

16. The IFPTE expressed concern that too many services are being bundled into the subject contract which potentially (a) deters termination of the contract in the event of performance failure, (b) allows the Contractor to assign work to itself or its subcontractors, and (c) provides a disincentive for the Contractor to provide accurate performance information to the PUC. In response, Mr. Wong advises that these concerns have been addressed by the negotiated

contract in terms of (a) the termination of convenience clause, (b) City staff members' responsibility for final decisions, and (c) the requirement for regular monthly reports, semi-annual reviews, and annual audits. Furthermore, Mr. Wong advises that the PUC Commissioners prefer one contract in order to:

- Centralize responsibility and accountability. By channeling the work through one prime Contractor, the PUC contends that it (a) makes the Contractor fully responsible for its output and the output of its subcontractors, (b) reduces the PUC's liability by having only one point of contact, and (c) reduces the subcontractors' liability because the prime Contractor carries the bulk of their liability.
- Maintain integration of program management and construction because (a) the profit for the Contractor comes from savings achieved (as explained in the section on "Proposed Contractor Fees" above), not from the program management services, (b) the Commissioners want a Contractor with specific utility business expertise who cares equally about program management and construction, and (c) integration supports the goal of centralized responsibility and accountability discussed above.
- Avoid multiple, expensive, and lengthy contractor selection processes. PUC staff contend that it is cheaper and quicker to have just one contract. With regard to cost, the PUC advises that the average cost of a contractor selection process is $150,000. With regard to length of time, a May of 1997 PUC consultant's report stated that it took six to 12 months for the PUC to complete a single contracting process, from development of the RFP to the award of the contract. This was twice as long as the DPW contracting process, according to the consultant. Since 1997, the PUC has revised its financial reporting and auditing standards, clarified its expectations and approval process for professional service contracts, and increased and centralized its contracting staff. The Budget Analyst would therefore assume that the PUC should now handle multiple contracts efficiently and cost effectively.

Summary: Pursuant to Motion No. M99-38, approved by the Board of Supervisors on April 12, 1999, the Budget Analyst was directed to review the subject contract in terms of the following three-part question. Would the subject contract (a) increase or decrease costs, (b) increase or decrease the oversight of expenditures, and (c) provide any other benefits or costs when compared to managing the PUC's capital improvement program with existing and/or new City staff?

With regard to the first part of the question as to whether the subject contract would increase or decrease costs, the PUC has not provided the Budget Analyst with substantive data which prove the subject contract would indeed decrease program and/or personnel costs. The subject contract does not contain performance measures which would enable the PUC and the Board of Supervisors to determine whether the subject contract had indeed decreased program costs since performance measures are to be determined at a later date by the PUC and the Contractor. Furthermore, in relation to personnel costs, the Budget Analyst notes that the delay in staff hiring, which is one of the problems which the subject contract is designed to address, is significantly affected by internal PUC processes.

With regard to the second part of the question as to whether the subject contract would increase or decrease expenditure oversight, the Budget Analyst considers that the proposed contract would maintain, or even increase, oversight over expenditure, if the PUC meets its obligation, under the terms of the contract, to (a) specify precisely what work it would require the Contractor to perform and at what cost, and then to (b) monitor whether or not the Contractor had met those performance requirements. The Budget Analyst notes, however, that such increased oversight would also be possible if the PUC more tightly specified and measured the performance of its own staff, holding them accountable for the delivery of pre-determined outcomes. Mr. Wong advises that the PUC is enhancing the performance measurement capabilities of its staff to ensure improved expenditure oversight. In particular, the PUC is increasing its training emphasis on timely delivery of projects against scheduled milestones, and is increasing its management control of technical staff, according to Mr. Wong.

With regard to the third part of the question as to whether the subject contract would provide any other benefits or costs when compared to managing the PUC's capital improvement program with existing and/or new City staff, the Budget Analyst reiterates that the PUC has provided insufficient data on which to make such an assessment.

In conclusion, the PUC's subject contract does not provide sufficient measurement criteria for the Budget Analyst to determine what savings, if any, are expected to result from hiring the Contractor. However, given the PUC's historic difficulties in hiring personnel and completing capital improvement projects, the Budget Analyst recognizes that contracting for program management services might be the only way to guarantee timely implementation of such a significant capital improvement program.

As these substantive questions remain unanswered the Budget Analyst considers approval of the subject program management services contract to be a policy matter for the Board of Supervisors.

Also, the Budget Analyst recommends that the Finance and Labor Committee direct the PUC to prepare an amended contract with the San Francisco Water Alliance which is for one year but annually renewable for each of the subsequent three years. Prior to annual Board of Supervisors consideration of whether or not to renew the contract through budgetary approval, the Budget Analyst recommends that the PUC provide the Board of Supervisors with audited evidence on the cost and timing benefits which have accrued to the City as a result of the previous year's contract.

The PUC advises that it is opposed to amending the contract as recommended above on the grounds that (a) sufficient Board of Supervisors oversight could be achieved through reserving the contract funds, (b) annual renewal of the contract in late August/early September each year does not work well with the PUC's annual budget process which begins each year in October, (c) the amendment would represent an unacceptable deviation from the RFP, and (d) a one-year contract would be less attractive to the Contractor.

<u>BOARD OF SUPERVISORS</u>
BUDGET ANALYST

With regard to the first objection, the Budget Analyst believes that a requirement to formally review and renew the contract on an annual basis would ensure that future Boards of Supervisors have an opportunity to scrutinize rigorous performance data provided by the PUC each year.

With regard to the second objection, the Budget Analyst notes that in each contract year, the Contractor would be involved both in projects for which funding had already been identified and in assisting the PUC with preparing capital improvement program budget proposals for the subsequent financial year. The Budget Analyst does not consider, therefore, the PUC's objection to be valid.

With regard to the third objection, the Budget Analyst notes that the overall term of the contract would remain four years, as stated in the RFP, with the sole difference being that it would be subject to formal review and renewal each year.

With regard to the fourth objection, the Budget Analyst notes that the subject contract already contains a clause permitting termination at any time and is subject to availability of funding. Nevertheless, the proposed Contractor has agreed to the specific terms of the contract. The Budget Analyst does not consider that his recommended amendments would make the subject contract any less attractive to the proposed Contractor.

Recommendations: 1. Direct the PUC to draft an amended contract with the San Francisco Water Alliance, which would be annually renewable, subject to implementation of Recommendation No. 2 below.

2. Prior to annual Board of Supervisors consideration of whether or not to renew the contract, the Budget Analyst recommends that the PUC provide the Board of Supervisors with audited measures of the cost and timing benefits which have accrued to the City as a result of the previous year's Contractor performance and audited measures of how the fees paid to the Contractor are consistent with actual performance.

3. Approval of the proposed program management services contract, as amended, is a policy matter for the Board of Supervisors.

BOARD OF SUPERVISORS
BUDGET ANALYST

At their September 15, 1998 presentation to the PUC Commissioners, PUC staff cited three highly summarized examples, based on telephone interviews, of successful public sector contracts which used program management services contractors to achieve significant savings:

(1) The Southern Nevada Water Authority, Nevada, contracted with a program management services contractor at a cost of $50,000,000, or approximately 2.1 percent, of total water supply and treatment program costs of $2,400,000,000. This contract achieved savings of $240,000,000, or 10 percent, through design fee negotiations, value engineering, and construction management services.
(2) The City of Houston, Texas, contracted with a program management services contractor at a cost of $100,000,000, or approximately 9.1 percent, of total storm and clean water program costs of $1,100,000,000. This contract achieved savings of $350,000,000, or approximately 31.8 percent, through operational modeling, improved project scopes of work, value engineering, and innovative technology.
(3) The San Diego Wastewater Department, California, contracted with a program management services contractor at a cost of $120,000,000, or 7.5 percent, of total clean water program costs of $1,600,000,000. The contract achieved savings of $310,000,000, or approximately 19.4 percent, through favorable contractor rates and fees, accelerated design schedules, value engineering, and constructability reviews.

After the September 15, 1998 presentation, PUC Commissioner Victor G. Makras requested examples of programs where program management was unsuccessful. In response, UEB staff provided highly summarized case studies of three large programs managed by public sector agencies of which only one, the Eastside Reservoir construction project, is directly comparable to the proposed PUC capital improvement program. The three projects cited were:

(1) The Eastside Reservoir construction project, managed by the Metropolitan Water District, Riverside County, California, which faces $250,000,000 in projected cost overruns.
(2) The Boston Central Artery Program which faced a $2,500,000,000 cost overrun and five year delay under the management of the Massachusetts Turnpike Authority. A program management consultant was hired to ensure that the program is completed according to a revised budget and timeframe.
(3) The Superconducting Super-Collider Program, a $4,400,000,000 particle physics research laboratory construction project managed by the Department of Energy was never completed due to cost escalation caused by ongoing changes in the project's scope, and unplanned Government performance audit and reporting requirements.

APPENDIX II: PUC HIRING PROCESS

Ms. Iwata of the PUC provided the following information on the time it takes the UEB to hire a staff member for a new or existing position, once the necessary requisition has been approved. Additional months prior to the requisition approval are spent obtaining budget approval for the new positions.

	Minimum Processing Time	Maximum Processing Time
UEB prepares requisition, job analysis questionnaire, organizational chart	4	6
PUC Bureau of Personnel and Training (BPT) review	2	4
UEB makes changes in light of BPT review	2	2
Final BPT review and submission to Department of Human Resources (DHR)	2	2
Mayor's Office approval	2	4
Controller's Office approval	1	1
DHR approval	4	26+
BPT notifies UEB of approvals	1	1
UEB requests DHR referrals or lists	2	4
UEB reviews lists, writes job postings, mails letters, waits for applicant responses, screens applicants, reviews resumes, arranges interviews, selects interview panels, develops questions, holds interviews, makes selection, notifies top choices, writes selection report, sends paperwork to BPT	7	9
BPT processes with DHR	3	4
DHR issues referral and PUC General Manager signs approval to hire	1	1
New hire gives 14 – 30 day notice to current employer	2	4
TOTAL:	33	68+

APPENDIX III: CAPITAL IMPROVEMENT PROGRAM WORKLOAD PER UEB TECHNICAL STAFF MEMBER

Based on (a) annual capital improvement program budget information provided in Attachment I by Mr. Wong for the San Francisco Water Department (SFWD) and Hetch Hetchy Water and Power (HHWP), and (b) information on the total number of filled UEB technical staff positions provided in Attachment II by Ms. Iwata, Table 1 below shows the budgeted workload per UEB technical staff member between FY 1995-96 and FY 2000-01. The capital improvement program budgets for the Clean Water Program have been excluded as related engineering work for this program is performed by DPW engineers, according to Mr. Wong.

Table 1: Budgeted Workload Per UEB Technical Staff Member

Fiscal Year	SFWD & HHWP Capital Improvement Program Budget	Total Number of Filled UEB Technical Positions	Workload Per Filled UEB Technical Position
1995-96	$29,849,835	65	$459,228
1996-97	41,964,539	69	608,182
1997-98	91,459,606	73	1,252,871
1998-99	40,822,000	80	510,275
1999-00	163,352,430	117	1,396,175
2000-01	150,870,700	168*	898,040

* This number comprises (a) 117 filled technical staff positions as at July 1, 2000, (b) 39 currently vacant technical staff positions which are expected to be filled during the course of FY 2000-01, and (c) 12 new technical staff positions which have been approved for hire in FY 2000-01 as part of the FY 2000-01 budget round.

Based on (a) annual capital improvement program expenditure information provided in Attachment I by Mr. Wong for the San Francisco Water Department (SFWD) and Hetch Hetchy Water and Power (HHWP), and (b) information on the total number of filled UEB technical staff positions provided in Attachment II by Ms. Iwata, Table 2 on the next page shows the actual workload per UEB technical staff member between FY 1995-96 and FY 1999-00. The capital improvement program expenditures for the Clean Water Program have been excluded as related engineering work for this program is performed by DPW engineers, according to Mr. Wong.

Table 2: Actual Workload Per UEB Technical Staff Member

Fiscal Year	SFWD & HHWP Capital Improvement Program Expenditures	Total Number of Filled UEB Technical Positions	Workload Per Filled UEB Technical Position
1995-96	$32,067,831	65	$493,351
1996-97	41,762,714	69	605,257
1997-98	46,478,505	73	636,692
1998-99	51,131,200	80	639,140
1999-00	65,293,341	117	558,063

SFPUC CAPITAL IMPROVEMENT PROGRAM MANAGEMENT SERVICES
REQUEST FOR PROPOSALS
EVALUATION SCORE SHEET

Name of Firm: ________________________ *Reviewer:* ______________ *Date:* ________

NOTE: The descriptions listed under each criteria establish the basis for a score of Good.

CRITERIA	WEIGHT	SCORE
1. PROGRAM MANAGEMENT APPROACH	*25*	______

- Thorough, strong & responsive program approach to meet changing SFPUC needs for services & expertise.
- Well developed, thorough, responsive & considered 1st year & 4 year program implementation plans.
- Thorough, strong & specific approach to expedite program & project implementation, achieve significant cost & time savings.
- Strong, clear & precise definition of success for SFPUC program results & client satisfaction.
- Strong, detailed approach & recommendation of program management systems & tools for control & reporting.
- Thorough, strong & specific approach to specialized technical services for peak SFPUC workload.
- Strong, specific approach to specialized construction management services, reviews, partnering, dispute resolution & claims avoidance.
- Thorough, strong & effective approach to the SFPUC Program in Diversity, community outreach & goals for inclusion of minorities & women.
- Strong, innovative & specific approach to full utilization and development of UEB & DPW staff, strong approach to Staff Development Program & technology transfer.

□ *Outstanding (9)*
□ *Superior (7)*
□ *Good (5)*
□ *Fair (3)*
□ *Poor (1)*

CRITERIA	WEIGHT	SCORE
2. CAPABILITY OF PMC MANAGEMENT TEAM MEMBERS	*25*	______

- Program Manager has 15 years experience and strong technical background in field of expertise.
- Program Manager has 5 years strong experience as responsible program manager on similar water and/or wastewater programs of $1 billion or more.
- Program Manager & appropriate PMC management team members hold current California PE licenses.
- Strong, demonstrated record of success of Program Manager for PMC prime consultant on other similar, complex & challenging programs as SFPUC.
- Other team members have 8 years strong experience in field of expertise.
- Other team members have 5 years strong experience in similar management positions on significant, complex & important public works programs as SFPUC.
- Strong management experience to high standards, top quality performance, cost savings & full client satisfaction.
- Strong commitment to promoting diversity & record of success managing diverse workforce.
- Proven record of flexible, responsive & creative problem solving on complex, important & challenging programs.
- Significant contribution to overall program success, accomplishment of client objectives on time & within budget.
- Strong experience and skill in streamlined program management & implementation under public government processes and procedures.
- Unique knowledge, experience and qualifications to perform roles and responsibilities in SFPUC program.

□ *Outstanding (9)*
□ *Superior (7)*
□ *Good (5)*
□ *Fair (3)*
□ *Poor (1)*

SFPUC CAPITAL IMPROVEMENT PROGRAM MANAGEMENT SERVICES
REQUEST FOR PROPOSALS
EVALUATION SCORE SHEET

*Name of Firm:*____________________________ *Reviewer:*___________________ *Date:*__________

3. MINIMUM QUALIFICATIONS FOR PMC TEAM

▪ Annual prime or collective JV corporate revenues of $100 million or more.	☐ *Yes*	☐ *No*
▪ Sufficient capability of prime and JV partners to secure appropriate insurance coverage.	☐ *Yes*	☐ *No*

NOTE: The descriptions listed under each criteria establish the basis for a score of *<u>Good</u>*.

CRITERIA	WEIGHT	SCORE
4. CAPABILITY OF FIRMS ON PMC TEAM	*25*	______

- 10 years strong prime or collective JV program management experience on similar public works programs of $1 billion or more.
- 15 years significant experience within team on water & wastewater systems, operations & engineering (Prefer: Prime or JV experience).
- 5 years strong management experience of prime or JV partners on significant, complex & important public works programs as SFPUC.
- Substantial corporate strength, reliability, financial, technical & managerial capability of prime or JV partners to assume prime risks & responsibilities.
- Strong expertise, depth of experience, strength & capability in similar management and/or technical services as proposed.
- Strong prime or JV response to program challenges & difficulties, demonstrated ability to adapt, recover & achieve high quality results regardless of issues.
- Strong depth and breadth in current staff levels to meet SFPUC needs for flexible expert services.
- High quality program results, proven success, cost & time savings, and high client satisfaction with services similar to proposed.
- Strong knowledge & understanding of California water issues, regulations & stakeholder concerns.
- Strong record of firm's commitment to include minority- & women-owned businesses on project teams.
- Significant experience with programs similar to SFPUC Program in Diversity.
- Strong experience with client staff development & training, technology & management systems transfer to clients.
- Demonstrated success with design/build projects, construction safety programs, partnering & construction cost control measures.
- References provided as requested.

☐ *Outstanding (9)*
☐ *Superior (7)*
☐ *Good (5)*
☐ *Fair (3)*
☐ *Poor (1)*

SFPUC CAPITAL IMPROVEMENT PROGRAM MANAGEMENT SERVICES
REQUEST FOR PROPOSALS
EVALUATION SCORE SHEET

Name of Firm: ________________________________ *Reviewer:* ________________ *Date:* ________

NOTE: The descriptions listed under each criteria establish the basis for a score of Good.

CRITERIA	WEIGHT	SCORE
5. APPROACH TO SFPUC PROGRAM IN DIVERSITY	*15*	______

- Strong, clear commitment to maximize program opportunities for MBE/WBE firms, especially those new to the SFPUC.
- Significant utilization of MBE/WBE firms in important program management and technical roles.
- Creative approaches to SFPUC Program in Diversity, to promote inclusion of minorities & women in program
- Strong, clear & specific plan to promote MBE/WBE growth & business development, transfer technology & skills.
- Thorough, strong & specific plan for job readiness training, pre-apprenticeship and paraprofessional internship training programs.
- Innovative, aggressive programs & activities to enhance effectiveness of SFPUC Program in Diversity.

□ *Outstanding (9)*
□ *Superior (7)*
□ *Good (5)*
□ *Fair (3)*
□ *Poor (1)*

CRITERIA	WEIGHT	SCORE
6. UNDERSTANDING OF SFPUC PROGRAM	*10*	______

- Strong & thorough understanding of capital improvement program goals & California water issues.
- Strong, clear understanding of unique program approach, financing & annual implementation plan.
- Strong grasp & understanding of water, power & wastewater operations, facilities and capital projects.
- Strong understanding & response to stakeholder concerns & public accountability.
- Thorough, clear understanding of program financial issues.
- Strong understanding of local labor union issues, community values and employee stake in program.
- Clear understanding of program constraints and contingencies.
- Strong, thorough responsiveness to Request for Proposals.

□ *Outstanding (9)*
□ *Superior (7)*
□ *Good (5)*
□ *Fair (3)*
□ *Poor (1)*

GRAND TOTAL SCORE	*100*	______

The SFPUC/HRC Contract Compliance Officer will assess compliance with Nondiscrimination and MBE/WBE Utilization requirements. Failure to comply will result in disqualification from further consideration.

NOTE: Scores are calculated by multiplying the value for the qualitative score by the weight (for example, a qualitative score of Superior for No. 1 Program Management Approach is 7 x 25, or 175).

Attachment II

SFPUC
ANNUAL CAPITAL IMPROVEMENT PROGRAM BUDGET

Fiscal Year	SFWD	HHWP	CWP	Total
1990-91	13,028,000	5,906,000	N/A to PUC	18,934,000
1991-92	27,870,000	14,491,900	N/A to PUC	42,361,900
1992-93	23,089,000	16,327,000	N/A to PUC	39,416,000
1993-94	13,114,700	9,030,000	N/A to PUC	22,144,700
1994-95	26,591,000	9,340,800	57,700,000	93,631,800
1995-96	19,117,139	10,732,696	58,938,000	88,787,835
1996-97	29,839,775	12,124,764	23,730,000	65,694,539
1997-98	75,474,606	15,985,000	29,920,000	121,379,606
1998-99	25,000,000	15,822,000	50,700,000	91,522,000
1999-00	145,152,430	18,200,000	26,292,000	189,644,430
2000-01	131,080,700	19,790,000	28,000,000	178,870,700
Subtotal (97/98-99/00)	245,627,036	50,007,000	106,912,000	402,546,036
Total	529,357,350	147,750,160	275,280,000	952,387,510

SFWD = San Francisco Water Department

CWP = Clean Water Program

HHWP = Hetch Hetchy Water & Power

Date: 7/11/00

SFPUC
ANNUAL CAPITAL IMPROVEMENT PROGRAM EXPENDITURES

Fiscal Year	SFWD	HHWP	CWP	Total
1990-91			N/A to PUC	0
1991-92			N/A to PUC	0
1992-93			N/A to PUC	0
1993-94	26,621,128	4,753,633	N/A to PUC	31,374,761
1994-95	28,093,929	5,708,738	23,660,784	57,463,451
1995-96	24,879,660	7,188,171	127,592,837	159,660,668
1996-97	28,894,728	12,867,986	68,162,170	109,924,884
1997-98	32,931,549	13,546,956	36,896,554	83,375,059
1998-99	41,957,217	9,173,983	40,447,101	91,578,301
1999-00	53,591,315	11,702,026	25,505,403	90,798,744
2000-01				0
Subtotal 97/98-99/00	128,480,081	34,422,965	102,849,058	265,752,104
Total	236,969,526	64,941,493	322,264,849	624,175,868

SFWD = San Francisco Water Department

HHWP = Hetch Hetchy Water & Power

CWP = Clean Water Program

Attachment IV

Utilities Engineering Bureau (UEB)
Total Number of Active Engineers by Classification
Effective FY 1995-96 through Present

CLASS	TITLE	FY 1995-96*	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00 Filled	FY 1999-00 To Be Filled
5189	UEB Manager	0	1	1	1	1	0
5162	Water Purfication Division Manager	0	0	0	0	0	2
1376	Civil Engineering Associate II	1	1	1	1	1	0
1377	CIP Manager	2	2	2	2	1	0
**5201	Junior Civil Engineer	3	4	5	4	3	1
5204	Assisant Civil Engineer	7	8	9	11	11	1
5206	Associate Engineer	13	13	13	12	21	9
5208	Civil Engineer	8	8	7	7	13	11
5210	Senior Civil Engineer	4	4	4	4	10	2
5212	Principal Engineer	1	1	1	0	2	1
5234	Jr. Electrcial Engineer	1	1	1	1	2	0
5236	Assistant Electrical Engineer	1	1	1	1	3	2
5238	Associate Electrical Engineer	3	3	3	3	5	1
5240	Electrical Engineer	1	1	1	1	3	0
5242	Senior Electrical Engineer	0	0	1	2	2	0
5252	Assistant Mechanical Engineer	3	3	3	5	4	1
5254	Associate Mechanical Engineer	3	3	4	4	7	0
5256	Mechanical Engineer	2	2	2	2	2	4
5258	Senior Mechanical Engineer	1	1	1	3	4	0
5344	Mecanical Engineer Assistant II	0	0	0	0	0	0
5346	Mechanical Engineer Associate I	1	1	1	1	2	0
5352	Electrical Engineering Assistant II	0	0	0	0	1	0
5354	Electrical Engineering Associate I	2	2	2	2	1	0
5362	Clvil Engineering Assistant II	2	2	3	4	1	1
5364	Civil Engineering Associate I	1	1	1	3	2	2
5366	Engineering Associate II	1	1	1	1	1	1
5502	Project Manager I	0	0	0	0	6	0
5504	Project Manager II	3	4	4	4	4	0
5506	Project Manager III	1	1	1	1	4	0
	TOTAL	62 *	69	73	80	117	39

*This number should be 65.

*First year reflecting the Prop M reorganization of the PUC.
**5202 Junior Civil Engineer class was consolidated to 5201 on 6/8/99.
Data Source: Kardex and Vacancy report as of 6/22/00.

6/29/002:47 PM

Items 5 and 6 - Files 00-1049 and 00-1137

Departments: Public Utilities Commission (PUC)
Real Estate Department (DRE)

Items: Item 5, File 00-1049: Resolution approving a purchase of land from the Adaptec Corporation in Milpitas, Santa Clara County, for a purchase price of $491,319, and authorizing acceptance of a grant deed and an easement deed, and execution of a ground lease to Adaptec Corporation as lessee for a term of twenty-five years at an initial rent of $26,557 per year.

Item 6, File 00-1137: Resolution authorizing the General Manager of the Public Utilities Commission to execute two agreements with the Santa Clara Valley Water District on behalf of the City and County of San Francisco.

Description: Item 6, File 00-1137: On January 25, 2000, the Public Utilities Commission (PUC) approved two agreements between the PUC and the Santa Clara Valley Water District (SCVWD) to jointly design, construct, and operate an Intertie Pipeline and Pump Station to allow transfer of water between the two agencies' water systems during an emergency or shutdown for planned maintenance. The Intertie Pipeline and Pump Station would be located in Milpitas, Santa Clara County.

The subject resolution would: (1) authorize the two agreements between the PUC and the SCVWD entitled, "Development of an Intertie Facility," and "Long-Term Operation and Maintenance of the Intertie;" and (2) authorize the General Manager of the PUC to execute these agreements.

The Intertie Pipeline and Pump Station Project would include the construction of a 40 million gallons per day pumping station, chemical treatment facilities, a connecting 42-inch pipeline, and appurtenances in the City of Milpitas to connect Bay Division Pipelines No. 3 and No. 4 to the SCVWD water transmission facilities. This project would also require the purchase of property

in Milpitas from the Adaptec Corporation and a lease renegotiation with Adaptec Corporation for existing PUC property. (See Item 5, File 00-1049 below).

According to Mr. Gary Dowd of the PUC, the subject agreements between the PUC and the SCVWD state that the two entities will share equally the total cost of the project, in addition to the cost for preparation of contract documents, construction costs and the cost for the purchase of any required property.

Item 5, File 00-1049

Purchase Agreement

Location: Lot 15, Parcel No. 086-42-015 and Lot 16, Parcel No. 086-28-016, Milpitas, Santa Clara County (See Attachment I, provided by the PUC).

Owner and Seller: Adaptec Corporation

Size of Lot:
(a) Lot 15: 20,657 square feet
(b) Lot 16: 7,496 square foot easement across lot

Purchase Price:

Lot 15	$431,319
Easement across Lot 16	60,000
Subtotal	$491,319
Closing Costs	3,200
Total	$494,519

According to Mr. Dowd, the PUC and the Santa Clara Valley Water District will share the cost of purchasing the land and easement, each paying $247,259.50, for a total cost of $494,519. Therefore, the PUC's share of the total purchase price of $494,519 will be $247,259.50. (See Comment No. 2 below). However, Mr. Dowd advises that the City will retain full ownership of Lot 15 and the easement across Lot 16. According to Mr. Phil Dela Cruz of the PUC, SCVWD has agreed to pay 50 percent of the purchase price for Lots 15 and 16 and yet allow the City to retain full ownership of Lot 15 and the easement across Lot 16 to simplify the approval process. Mr. Dela Cruz

advises that the City and the SCVWD will jointly own and jointly fund the Pump Station and related facilities to be located on Lots 15 and 16.

Purchase Price Per Square Foot:

	Square Feet	Cost/Square Foot	Total Cost
Lot 15	20,657	$20.88	$431,319
Lot 16 Easement	7,496	8.00	60,000
Total	28,153	$28.88	$491,319

Source of Funds: PUC Project Appropriation for Emergency Intertie Project

Description: The subject resolution would authorize: (a) the purchase of land from the Adaptec Corporation to allow the PUC and the SCVWD to construct the Intertie Pipeline and Pump Station; and (b) a continuing lease of land to the Adaptec Corporation (see below for discussion of lease).

According to Mr. Dowd, the Adaptec Corporation currently owns Lot 15 and Lot 16, the property adjacent to the PUC Bay Division right of way for Pipelines No. 3 and No. 4. (See map on Attachment I). The subject resolution would allow the PUC and the SCVWD to purchase jointly a portion of Lot 15 (approximately 80 percent of the lot) for the purpose of constructing a Pump Station. In addition, the subject resolution would authorize the PUC and the SCVWD to purchase an easement for underground pipelines across the rear of Lot 16 to the adjacent Milpitas Pumping Station No. 2, to connect PUC facilities with those of the SCVWD. The purchase price for Lot 15 would be $431,319 and the price for the easement across Lot 16 would be $60,000, for a total purchase price of $491,319.

As previously stated, the PUC and the Santa Clara Valley Water District will share the cost of purchasing the land and easement, each paying $247,259.50, for a total cost of $494,519. Mr. Dowd advises that the City will retain full ownership of Lots 15 and the easement across Lot 16.

Budget: The summary budget for the Milpitas Intertie Pipeline and Pump Station Project is as follows:

Construction Contract with Homer J. Olsen (See Attachment II, provided by the PUC)	$9,146,220
Contingency (10%) for Construction Contract	914,622
PUC Inspection and Engineering Support	870,000
Land Purchase and Easement	491,319
Closing Costs for Land Purchase (See Comment No. 2 below)	3,200
Total	**$11,425,361**

Attachment III, provided by the PUC, contains details to support the above summary budget for the subject project.

Comments on Purchase Agreement: 1. Mr. Ken Chopping of the Department of Real Estate (DRE) states that the DRE appraised the subject property to be purchased and determined that the total purchase price of $491,319, or approximately $20.88 per square foot for Lot 15 and $8 per square foot for the easement through Lot 16, represents fair market value. According to Mr. Chopping, the DRE based its appraisal on the recent sale of comparable property in the vicinity. Mr. Chopping advises that the owner of the subject property has agreed to this process, however, Mr. Chopping anticipates that a formal property acquisition agreement will not be finalized until the end of July 2000.

2. The subject resolution approves a total price of $491,319 for the purchase from the Adaptec Corporation of a portion of Lot 15 and an easement across Lot 16. However, according to Mr. Chopping, this purchase would include an additional $3,200 for title insurance and standard closing costs, resulting in a total purchase cost of $494,519. Therefore, the subject resolution should be amended to increase the total purchase price by $3,200, from $491,319 to $494,519.

3. According to Mr. Leroy Gullette of the PUC, and as stated in Attachment II, the PUC awarded a contract of $9,146,220 to the firm Homer J. Olsen for the construction of the subject Intertie Pipeline and Pump Station on June 27, 2000. Mr. Gullette advises that Homer J. Olsen was the lowest responsive bidder of the

following three bids the PUC received for the subject construction project:

Bids Received	Bid Amount
Homer J. Olsen	$9,146,220
Mitchell Engineering	$9,256,118
S.J. Amoroso	$11,258,915

According to Mr. Gullette, the Human Rights Commission (HRC) has certified that Homer J. Olsen has met MBE/WBE/LBE subcontracting goals. Attachment II, provided by the PUC, provides additional details on the competitive bidding process for the subject project.

4. According to Mr. Gullette, the PUC plans to begin construction of the proposed Intertie Pipeline and Pump Station on August 1, 2000. Mr. Gullette advises that the full construction period will require 18 months and be completed by January 1, 2002, as stated in Attachment II. However, Mr. Gullette reports that the PUC plans partial completion of the project and the ability to deliver water by April 1, 2001, or eight months after the commencement date.

5. As noted above, construction of the Intertie Pipeline and Pump Station is scheduled to start on August 1, 2000. Mr. Gullette advises that there is a provision in the agreement with the contractor, Homer J. Olsen, that will penalize the contractor monetarily if the contractor does not finish the work necessary to deliver water by April 1, 2001, as stated in Attachment II. However, if the contractor is not given formal Notice to Proceed by July 31, 2000, which requires the approval of the Board of Supervisors, the contract states that these liquidated damages imposed on the contractor will be waived.

6. The PUC approved the subject land purchase on May 23, 2000 (Resolution No. 00-0136). According to Mr. Dowd, the Santa Clara Valley Water District has already approved this land purchase.

Lease

Location:	Portion of Parcel 111C of Bay Division Pipeline No. 3 and No. 4 right of way, Milpitas, Santa Clara County
Purpose of Lease:	Paved parking lot
Lessor:	City and County of San Francisco through the Public Utilities Commission (PUC)
Lessee:	Adaptec Corporation
No. of Square Feet and Rent Per Month:	50,965 square feet at $2,213 per month, or $0.043 per month per square foot ($26,557 annually).
Annual rent Payable by Adaptec Corporation to the City:	$26,557 annually. This annual rent would be adjusted 12 months after the commencement date of the lease, and then readjusted every 12 months thereafter, by the annual percentage increase in the Consumer Price Index (CPI). In addition, the base rent would be adjusted to equal the fair market rental of such property every five years. This adjustment would be determined by the PUC's Bureau of Commercial Land Management, using a market survey approach, in consultation with the Department of Real Estate. The adjustment would take into account: (a) land values in the general vicinity of Milpitas, (b) the location and size of the premises covered by leases of comparable space, and (c) the duration of the comparable leases. The annual base rent on or after the adjustment date cannot be less than the annual base rent in effect immediately prior to the adjustment date.
Increase (Decrease) In Rent:	Under the proposed lease, the annual rent in the subject PUC property would remain the same, at $26,557 annually (See Description below for details).
Term of Lease:	The proposed lease between the PUC and the Adaptec Corporation would commence upon the close of escrow of the land purchase discussed above and would terminate 25 years after the commencement date, approximately in August of 2025.

Right of Renewal: None

Description: As previously stated, the Adaptec Corporation currently owns Lot 15 and Lot 16, the property adjacent to the PUC Bay Division right of way for Pipelines No. 3 and No. 4. (See map on Attachment I). Since 1996, the Adaptec Corporation has also held a 10-year lease from the PUC for this right of way property, which the company currently uses to provide a paved parking lot to its employees. The Adaptec Corporation currently pays to the PUC $2,213 per month ($26,557 annually) for this lease, which will expire on June 30, 2006.

The subject resolution would authorize a new 25-year lease between the PUC and the Adaptec Corporation for the right of way property, based on the same terms and conditions of the current lease. According to Mr. Dowd, the proposed 25-year lease is part of the land purchase agreement discussed above and was included in the negotiations in order to allow the Adaptec Corporation to maintain its current level of parking after the PUC and Santa Clara Valley Water District purchase the majority of Lot 15 from the Adaptec Corporation.

Under the proposed 25-year lease, the rent paid by the Adaptec Corporation to the PUC would continue at its current rate of $2,213 per month ($26,557 annually), with adjustments every 12 months based on annual percentage increases in the Consumer Price Index (CPI) and adjustments every five years for changes in the fair market rental value of the subject property. According to Mr. Dowd, the Adaptec Corporation's current 10-year lease with the PUC would be rendered null and void upon approval of the subject 25-year lease between the Adaptec Corporation and the PUC.

Comments on Proposed Lease:

1. Mr. Dowd reports that the subject PUC right of way property to be leased to the Adaptec Corporation is adjacent to the Lessee's property and thus has no use to any other property owner and is not available for individual development.

2. According to Mr. Chopping of the DRE, the proposed annual rental rate of $26.557 reflects the current fair market rental rate for the subject rental property. Mr. Chopping reports that DRE appraised the subject rental property in 1996, when the original lease with the Adaptec Corporation was negotiated, based on the worth comparable properties in the vicinity. The base rent in 1996 for the original lease was $2000 per month, or $0.039 per square foot per month. Since 1996, the base monthly rent has increased by $213, or 10.7 percent, from $2000 per month to $2.213 per month, or $0.043 per square foot per month. Annually, the rent has increased by $2,557, from $24,000 to $ 26,557 per year. According to Mr. Chopping, these increases are commensurate with annual percentage increases in the Consumer Price Index (CPI), as required by the original lease. As previously noted. Mr. Dowd advises that the proposed new 25-year lease also contains provisions for revaluation and rent adjustments for the subject property lease.

3. The PUC approved the subject lease on May 23, 2000 (Resolution No. 00-0136).

4. The benefit of the Intertie Pipeline and Pump Station project will be to allow transfer of water between the City's Public Utilities Commission and the Santa Clara Valley Water District water systems during emergencies or shutdowns for planned maintenance. Because the proposed resolutions are necessary elements of the project previously approved by the Board of Supervisors in the FY 2000-2001 budget, the Budget Analyst recommends approval of both resolutions.

Recommendations: Item 5, File 00-1049

1. Amend the subject resolution to increase the total purchase price by $3,200, from $491,319 to $494,519, in accordance with Comment on the Purchase Agreement No. 2 above.

2. Approve the proposed resolution, as amended.

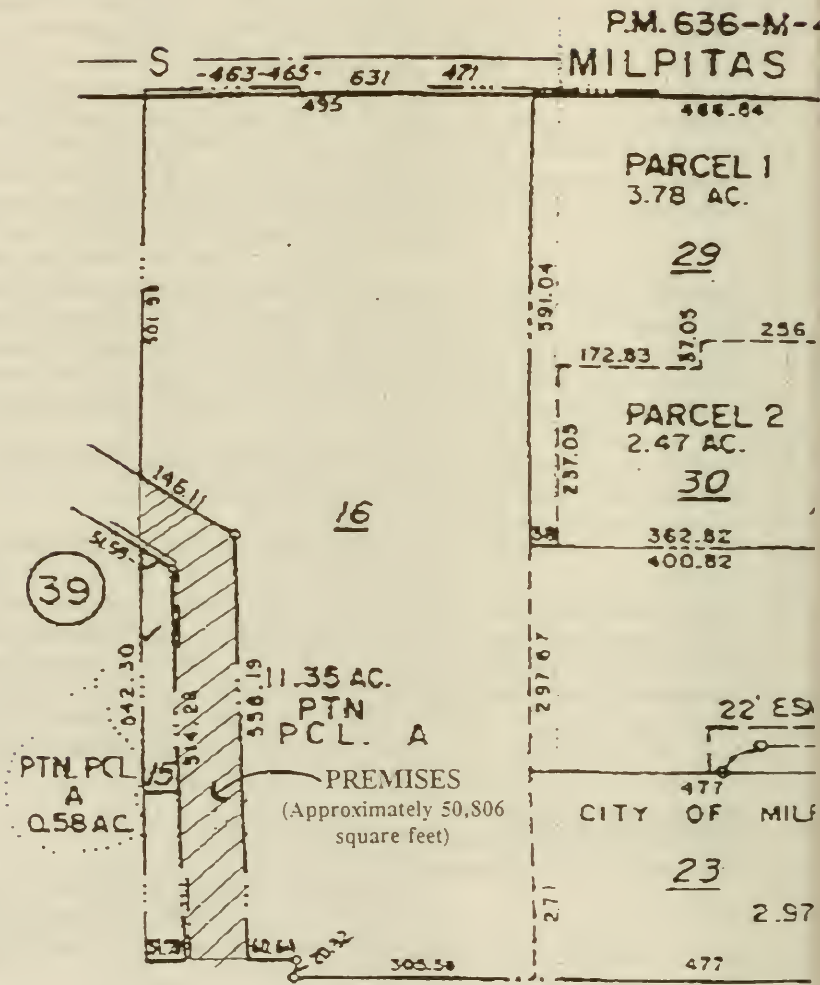
Item 6, File 00-1137

Approve the proposed resolution.

BOARD OF SUPERVISORS
BUDGET ANALYST

EXHIBIT A

DIAGRAM OF THE PREMISES



888-008\237012.1

LEASE TO ADAPTEC, INC. FOR PARKING
POR. OF PAR. 111C, BDPL NOS. 3 & 4 R/W
MILPITAS, SANTA CLARA COUNTY

Source: Public Utilities Commission

CITY AND COUNTY OF SAN FRANCISCO
PUBLIC UTILITIES COMMISSION
UTILITIES ENGINEERING BUREAU

WILLIE L. BROWN, JR.
MAYOR

JOHN P. MULLANE
GENERAL MANAGER

MICHAEL E. QUAN
UEB Manager

SAN FRANCISCO
WATER DEPARTMENT

HETCH HETCHY
WATER AND POWER

SAN FRANCISCO
CLEAN WATER PROGRAM

MEMORANDUM

TO: Emilie Neumann, Budget Analyst
FROM: Leroy Gullette, Project Engineer LG
DATE: Thursday, July 13, 2000
SUBJECT: Bidding Process, Deadline, Schedule, and Environmental Determination for the SFWD/SCVWD Intertie Pipeline and Pump Station, WD-2295

Competitive Bidding Process/Advertisement of Project

The contract was advertised through plan rooms, national journals, outreach program, and phone effort by PUC personnel. There were in excess of 150 Plan holders of which a minimum of 12 were identified as general contractors able to bid on a contract of this complexity and cost.

Bids Received and Awarded

Three bidders and their respective total bids are as follows:

Homer J. Olsen $9,146,220
Mitchell Engineering $9,256,118
S. J. Amoroso $11,258,915

On June 27, 2000 the Public Utilities Commission awarded the project to the lowest responsive bidder, Homer J. Olsen for an amount of $9,146,220. The project MBE/WBE goals were set at 11% and 6% respectively. Homer J. Olsen met the MBE/WBE goals by listing subcontractors as follows:

Subcontractor	MBE/WBE	Amount	Percentage
NCCI, Inc	WBE	$530,000	6.59
Vargas & Esquivel	WBE	$24,400	0.30
Esquivel Grading and Paving	MBE	$86,400	1.07
Anco Iron & Construction	MBE	$122,000	1.52
Van Hook Electric	MBE	$839,720	9.18

Total MBE is 11.77% Total WBE is 6.89%

Deadline of July 31, 2000 for Notice to Proceed

In the event that the Notice to Proceed is not given to the contractor by July 31, 2000, which requires approval by the Board of Supervisors of the Land Purchase, Construction Agreement, and Long Term Maintenance Agreement, there is a provision within the specifications that will waive the liquidated damages of $5,000 per day imposed on the contractor to finish the work necessary to deliver water by April 1, 2001. This date was set through agreement with Santa Clara Valley Water District so that they could proceed with necessary seismic upgrades needed at their Penitencia Treatment Plant.

If the liquidated damages are waived as described above, the City and County of San Francisco will have to negotiate with the contractor construction constraints that would cost approximately $150,000.

Project Schedule

Construction of the Intertie Pipeline and Pump Station is scheduled to start on August 1, 2000. Substantial completion and the ability to deliver water is scheduled for 8 months later on April 1, 2001. The full construction period is 18 months and completion of construction is anticipated on January 1, 2002.

Environmental Determination

The City and County of San Francisco; Department of City Planning has adopted and issued on November 24, 1999 a Final Negative Declaration, with mitigation, for this project after review under the California Environmental Quality Act guidelines.

Cc: Michael Carlin, Mike Quan, Carlos Jacobo, Phil Dela Cruz, Dennis Huey, Albert Eng, John Hetzner

CITY AND COUNTY OF SAN FRANCISCO
PUBLIC UTILITIES COMMISSION
UTILITIES ENGINEERING BUREAU

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SAN FRANCISCO
WATER DEPARTMENT

HETCH HETCHY
WATER AND POWER

SAN FRANCISCO
CLEAN WATER PROGRAM

MEMORANDUM

TO: Emilie Neumann, Budget Analyst
FROM: Leroy Gullette, Project Engineer
DATE: Thursday, July 13, 2000
SUBJECT: Budget Summary for SFWD/SCVWD Intertie Pipeline and Pump Station, WD-2295

Summary Budget

The contract cost is a total of $11,422,161 which includes $9,146,220 for the construction cost, $914,622 for contingencies, $870,000 for inspection and engineering support. and $491,319 for the land purchase and easements.

Of the $11,422,161 estimated cost of the project, Phase I will be funded by the $6.1 million included in the SFPUC current fiscal year budget and $3.0 million in the FY 00/01 budget. Phase II will be funded by $2.4 million in the SCVWD budget, which is in addition to the $7.95 million cost already incurred by SCVWD in the construction of the Milpitas Pipeline (an integral part of this project).

The schedule of bid prices from all bidders is attached for your reference.

The Project Manpower Plan for inspection and engineering support is attached which totals $846,059. The balance of the $870,000 is for project management and special inspection as necessary during the construction.

Attachments:
Schedule of Bid Prices (3 pages)
Project Manpower Plan (1 page)

Cc: Michael Carlin. Mike Quan. Carlos Jacobo, Phil Dela Cruz. Dennis Huey, Albert Eng, John Hetzner

PUBLIC UTILITIES COMMISSION - SCHEDULE OF BID PRICE

Contract Number:	WD-2295
Contract Title:	SFWD/SCVWD Intertie Pipeline and Pump Station
Bid Date:	5/25/2000
HRC Goals:	11% MBE & 6% WBE
Budget Amount:	$10.7 Million Including Deletable Items

Item No	Bid Description	Estimated Quantity	Unit	Homer J. Olsen Unit Price	Homer J. Olsen Amount	Mitchell Engineering Unit Price	Mitchell Engineering Amount	S.J. Amorso Construction Unit Price	S.J. Amorso Construction Amount
1	Mobilization/Demobilization		L S		$ 550,000		$ 550,000		$ 550,000
2	Allowance for hauling, testing & disposal of hazardous material for pipeline work		allowance		$ 200,000		$ 200,000		$ 200,000
3	Deleted In Addendum #2								
4	Allowance for Independent Inspection		allowance		$ 100,000		$ 100,000		$ 100,000
5	Allowance for additional work required for instrument system and SCADA hook-up		allowance		$ 20,000		$ 20,000		$ 20,000
6	improvements		L S		$ 1,368,000		$ 936,059		$ 1,010,000
7	Excavation, furnish install and backfill 4" and 6" ductile iron sewer pipe	700	L F	75	$ 52,500	37	$ 25,900	94	$ 65,800
8	Excavation, furnish install and backfill 8" vitrified clay sewer pipe	50	L F	150	$ 7,500	152	$ 7,600	316	$ 15,800
9A	Excavation, furnish install and backfill 42" I.D. x 1/2" plate steel pipe cement mortar lined and epoxy coated	583	L F	550	$ 320,650	540	$ 314,820	1971	$ 1,149,093
9B	Excavation, furnish install and backfill 42" I.D. x 11/16" plate steel pipe cement mortar lined and epoxy coated	260	L F	1700	$ 442,000	1355	$ 352,300	3923	$ 1,019,980
9C	Excavation, furnish install and backfill 42" I.D. x 11/16" plate steel pipe cement mortar lined and coated	65	L F	1000	$ 65,000	1018	$ 66,170	2055	$ 133,575
10A	Furnish and install 91 1/2" ID x 43" ID x 10' long steel tee, cement mortar lined and epoxy coated	1	EA	60000	$ 60,000	7850	$ 7,850	145400	$ 145,400
10B	Furnish and install 73" ID x 43" ID x 9' long steel tee, cement mortar lined and coated	1	EA	55000	$ 55,000	68354	$ 68,354	126400	$ 126,400
11	Additional excavation and backfill	52	CY	110	$ 5,720	150	$ 7,800	96 50	$ 5,018
12	Furnish and install catch basin and outfall system		L S		$ 20,000		$ 9,672		$ 12,060
13	Construct concrete swale	470	L F	100	$ 47,000	41	$ 19,270	46	$ 21,620
14A	Furnish and install 72" ID reinforced concrete water main manhole riser	11	L F	700	$ 7,700	1631	$ 17,941	1756	$ 19,316
14B	Furnish and install 48" ID reinforced concrete water main manhole riser	6	L F	400	$ 2,400	892	$ 5,352	1296	$ 7,776

Item No.	Bid Description	Estimated Quantity	Unit	Homer J. Olsen Unit Price	Homer J. Olsen Amount	Mitchell Engineering Unit Price	Mitchell Engineering Amount	S.J. Amorso Construction Unit Price	S.J. Amorso Construction Amount
15	Furnish & install street manhole frames and covers for 72" water main manhole riser	2	EA.	3000	$ 6,000	3596	$ 7,192	8733	$ 17,466
16	Furnish and install 48" frame and covers for reinforced concrete water main riser	1	EA.	5000	$ 5,000	2694	$ 2,694	7894	$ 7,894
17A	Furnish and install 48" ID reinforced concrete sewer manhole, steel frame and cover	1	EA.	8000	$ 8,000	1570	$ 1,570	6096	$ 6,096
17B	Furnish and install 24" ID reinforced concrete sewer manhole, steel frame and cover	2	EA.	3000	$ 6,000	785	$ 1,570	1867	$ 3,734
18	Furnish and install 8" air vacuum valve assemblies	2	EA.	17000	$ 34,000	12284	$ 24,568	15751	$ 31,502
19	Asphalt concrete paving	1,440	TON	65	$ 93,600	103	$ 148,320	59	$ 84,960
20	Aggregate base	149	C.Y.	100	$ 14,900	45	$ 6,705	54	$ 8,046
21	Furnish and install chain link fence		L.S.		$ 40,000		$ 34,846		$ 38,000
22	Construct concrete crib wall	145	L.F.	20	$ 2,900	34	$ 4,930	36	$ 5,220
23	Construct concrete riprap	16	L.F.	1000	$ 16,000	173	$ 2,768	174	$ 2,784
24	Furnish and Install 24" and 12" bypass line near Milpitas pump station		L.S.		$ 100,000		$ 72,692		$ 95,686
25	Install concrete drilled piers	2,485	L.F.	110	$ 273,350	139	$ 345,415	117	$ 290,745
26	Install reinforced concrete work		L.S.		$ 590,000		$ 652,191		$ 711,600
27	Centrifugal pump systems		L.S.		$ 460,000		$ 708,911		$ 732,400
28	Pump station piping, valves and appurtenances		L.S.		$ 1,150,000		$ 1,053,871		$ 1,667,300
29	Plumbing		L.S.		$ 85,000		$ 58,855		$ 17,130
30	HVAC		L.S.		$ 20,000		$ 33,722		$ 65,200
31	Bridge crane system, 3-ton		L.S.		$ 75,000		$ 37,138		$ 26,108
32	Furnish and install outdoor switchgear, power transformer, indoor 4.16 KV switchgear, medium voltage VFD and starter line-up for medium voltage pump motors		L.S.		$ 500,000		$ 1,114,277		$ 755,000
33	Furnish and instlal all conduits, ductbanks, grounding, lighting system, dry type transformers, panelboards and UPS system		L.S.		$ 285,000		$ 207,499		$ 540,400
34	Furnish and Install all cables, wires and conductors		L.S.		$ 60,000		$ 309,837		$ 122,000
35	Furnish and install complete control and instrument system, including SCADA hook-up and telemetering cables		L.S.		$ 800,000		$ 509,007		$ 353,100
36	Furnish and Install security system		L.S.		$ 21,500		$ 14,598		$ 53,050
37	Field testing and start-up services		L.S.		$ 15,000		$ 47,182		$ 37,000
38	Short circuit and coordination study		L.S.		$ 25,000		$ 8,286		$ 4,280
39	Furnish and install insulated flange joints		L.S.		$ 28,500		$ 1,386		$ 27,376
	TOTAL OF BASE BID (1 TO 39):				$ 8,038,220		$ 8,119,118		$ 10,305,915
1	Sodium Hypochlorite Treatment System	$ 119,000	L.S.		$ 120,000		$ 81,727		$ 122,000

Item No.	Bid Description	Estimated Quantity	Unit	Homer J. Olsen Unit Price	Homer J. Olsen Amount	Mitchell Engineering Unit Price	Mitchell Engineering Amount	S.J. Amorso Construction Unit Price	S.J. Amorso Construction Amount
2	Sodium Hydroxide Treatment System	$ 94,000	L.S.		$ 83,000		$ 92,967		$ 56,000
3	Di-Potassium Phosphate Treatment System	$ 94,000	L.S.		$ 72,000		$ 92,967		$ 56,000
4	Aqua Ammonia Treatment System	$ 110,000	L.S.		$ 83,000		$ 92,967		$ 60,000
5	Diesel Fueling System	$ 104,000	L.S.		$ 65,000		$ 82,892		$ 99,000
6	Furnish and install standby engine generator	$ 875,000	L.S.		$ 685,000		$ 693,713		$ 560,000
	Total Deletable Items	$ 1,405,000			**$ 1,108,000**		**$ 1,137,233**		**$ 953,000**
	TOTAL OF BID PRICES (Base Bid & Deletable Items)				**$ 9,146,220**		**$ 9,256,351**		**$ 11,258,915**

PROJECT MANPOWER PLAN

[X] CURRENT PLAN
[ ] BASELINE Starting / mo yr

PROJECT TITLE SFWD/SCVWD INTERTIE
PROJECT NUMBER WD2295f
PM Phil Dela Cruz
PE Leroy Gullette

PAGE 1 OF 1
DATE. 5/25/2000

TOTAL UEB COSTS

ACCT CODE	TASK DESCRIPTION / EMPLOYEE OR CLASS		Jun	1 Jul	2 Aug	3 Sep	4 Oct	5 Nov	6 Dec	7 Jan	8 Feb	9 Mar	10 Apr	11 May	12 Jun	13 Jul	14 Aug	15 Sep	16 Oct	17 Nov	18 Dec	TOT	TOTAL MAN-DAYS	RATE PER MAN-DAY	SUB-TOTAL	TASK/PH TOTAL
	Architectural		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	45			
	Wong, Peter				1		1		1		1		1		1		1		1		1		9	857	$7,713	
	Plunon, M				2	2	1	2	2		1		1		1		1		1		2		16	740	$11,840	
	Reclnos, O			2	1	2	2	2		1		1		1		1		1		1	5		20	550	$11,000	
	Drafting																						0	440	$0	$30,853
	Civil		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	55			
	Lau, Patrick	108 60			1		1		1		1												4	868 8	$3,475	
	Kohgadal, Mohammed	85 28		1	1	1	1	1	1	1	1	1									1		10	882 24	$8,822	
	Tam, Roger	73 88		4	2	2		1		1		1		1			1		1		1		18	889 44	$8,842	
	Fan, Zhiming	62 10		4	2	4	2		2		1	1		1			1		1		2		21	498 8	$10,433	
	Drafting	54 70																			5		5	437 6	$2,188	$31,760
	Structural		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	49			
	Hull, Tom	85 28		1	1	1	1	1	1												1		7	682 24	$4,776	
	Prasad, Uday	73 68		4	2	4	2	4	1				1		1		1				2		22	589 44	$12,988	
	Lam, Onsi	73 88		1	1	1	1	1	4			1		1		1		1			2		15	589 44	$8,842	
	Drafting	54 7																			5		5	437 6	$2,188	$28,773
	Mechanical		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	51			
	Huey, Dennis	98 72		1			1						1			1			1				5	789 76	$3,949	
	Holzner, John	98 72		1		1				1		1				1		1					6	789 76	$4,739	
	Eng, Albert	85 28			1		1		1				1		1		1		1		1		8	882 24	$5,458	
	Tennant, Michael	73 68		4	4	1	1	2		2		2		1		2		2		2	4		27	589 44	$15,915	
	[redacted]																						164	498 8	$81,475	$81,475
	Drafting	54.7																			5		5	437 8	$2,188	$32,248
	Electrical		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	80			
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	Mau, Hector	85 28		1	1	1	1		1	1	1		1		1	1	1		1	1	1		14	682 24	$9,551	
	Kan, Tony	62 1				2	2	2		1		1			1		1		1		2		13	498 8	$8,458	
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																										$. 591,667

Percent of Contract 9 25% Total Budget $848,059

Item 8 - File 00-1130

Department: Airport

Item: Resolution approving the North Terminal Concourse Newsstand Lease between Calstar Retail, Inc. and the City and County of San Francisco, acting by and through its Airport Commission.

Location: North Terminal of the Airport

Purpose of Lease: The proposed lease would provide approximately 523 square feet of space in the North Terminal to operate a newsstand selling newspapers, periodicals, books, candy bars, and sundry items.

Lessor: City and County of San Francisco, acting by and through its Airport Commission.

Lessee: Calstar Retail, Inc., an affiliate of DelStar Group, a certified Disadvantaged Business Enterprise.

No. of Sq. Ft. and Monthly Rental Revenues Payable by Calstar Retail Inc. to the Airport: Approximately 523 square feet of space in the North Terminal to operate a newsstand. The total rental revenues to be paid by Calstar Retail, Inc. to the Airport based on the Minimum Annual Guarantee would be approximately $81.62 per square foot per month, or approximately $42,688 per month ($512,256 annually).

Annual Rent Payable by Calstar Retail, Inc. to the Airport: The proposed lease would require Calstar Retail, Inc. to pay to the Airport the greater of a Minimum Annual Guarantee of $512,256 for each year of the five year lease term (adjustable by Consumer Price Index increases), or the sum of the following variable percentage scale:

(a) 12 percent of gross revenues achieved up to and including $1,000,000; plus
(b) 14 percent of gross revenues achieved from $1,000,000.01 up to and including $1,500,000; plus

(c) 16 percent of gross revenues achieved over $1,500,000.

According to Mr. Jon Ballesteros of the Airport, Calstar Retail, Inc. estimates that it will earn gross revenues of $1,100,000 during the first year of the subject lease. If Calstar Retail, Inc. earns that estimated gross revenue, it would pay rent to the Airport in the amount of the Minimum Annual Guarantee of $512,256 because that would be greater than the amount payable under the variable percentage scale outlined above. Under the variable percentage scale, gross revenues of $1,100,000 would only generate $134,000 in rental revenues based on (a) 12 percent of $1,000,000, and (b) 14 percent of $100,000. Variable percentage scale rental revenue in the amount of $134,000 would be $378,256 less than the Minimum Annual Guarantee.

Term of Lease: The proposed lease would commence on October 1, 2000. The lease would be for a five year period, terminating on September 30, 2005.

Right of Renewal: None

Utilities and Janitor Provided by Lessor: The Lessee pays for the costs of all utilities and janitorial services.

Description: On May 2, 2000, the Airport Commission adopted a resolution awarding the North Terminal Concourse Newsstand Lease to Calstar Retail, Inc. (Resolution No. 00-0158). According to Mr. Jon Ballesteros of the Airport, the Airport selected the firm Calstar Retail, Inc. through a formal Request for Proposals (RFP) process, which was advertised in minority and community newspapers and the City's Purchasing Departments' Bids and Contracts weekly newsletter. An additional advertisement was placed in the Airport's Official Newspaper. The RFP required rental payments in the amount of either (a) a Minimum Annual Guarantee of $150,000, or (b) the variable percentage scale outlined above, whichever was the greater. Of the five bidders who submitted proposals, CalStar Retail, Inc. proposed the highest Minimum Annual Guarantee of $512,256 annually.

Tenant Improvements: Calstar Retail, Inc. would be required to invest a minimum of $150 per square foot to refurbish, redecorate, and modernize the interior and exterior of the subject retail lease space. This represents an investment of $78,450 for the 523 square foot newsstand. Upon receiving adequate evidence of Calstar Retail, Inc.'s construction costs, the Airport would issue a rent credit equal to $75 per square foot, or 50 percent of the minimum tenant improvement cost, over a period to be determined by the Airport Director. According to Mr. Ballersteros, the Airport Commission approved the reimbursement of 50 percent of the minimum tenant investment cost as part of its efforts to encourage Disadvantaged Business Enterprise participation.

Comment: Calstar Retail, Inc. currently has five leases with the Airport, comprising three newsstand leases, one candy cart/kiosk lease, and an apparel boutique lease. Calstar Retail, Inc. also is a subtenant to a North Terminal concession run by Host International, Inc. However, the current concessionaire for the North Terminal Newsstand lease is Aarons' Concessions, Inc. which pays the Airport an annual rent of the higher of (a) a Minimum Annual Guarantee of $183,326, or (b) 20 percent of gross revenues. Based on current annual gross revenues of $1,123,923, the rent payable by Aarons' Concessions, Inc. is $224,785, or $287,471 less than the Minimum Annual Guarantee of $512,256 which would be payable by Calstar Retail, Inc.

Recommendation: Approve the proposed resolution.

Memo to Finance and Labor Committee
July 19, 2000 Finance and Labor Committee Meeting

Item 10 - File 00-01142

Department: Superior Court

Item: Hearing to consider release of reserve of $254,000 for the Trial Courts for indigent defense conflicts counsel.

Amount: $254,000

Source of Funds: General Fund Reserve

Description: In March of 2000, the Board of Supervisors approved a $508,000 supplemental appropriation ordinance (File 00-0271) for increased costs for the Indigent Defense Program private attorneys based on an increased caseload. Of the $508,000 approved, the Finance and Labor Committee placed $254,000 on reserve, because the Trial Court was unable to provide a detailed accounting of the number of hours or the amount of private attorney billings that were not paid in FY 1998-99 and thus were held over to be paid from the requested FY 1999-2000 supplemental appropriation.

The proposed request is for release of this remaining $254,000 for the Trial Court's Indigent Defense Program private attorney expenses.

Ordinarily, the Public Defender's Office provides defense attorneys to indigent individuals who have been charged with a crime. If the Public Defender's Office determines that a conflict of interest would result if the Public Defender were to provide the defense attorney, the Superior Court appoints a private defense attorney through the Superior Court's Indigent Defense Program. The Superior Court pays the fees for such private defense attorneys at a predetermined rate.

Although the San Francisco Superior Court receives most of its funding through the State Trial Court Funding Program, the Indigent Defense Program is funded by the City's General Fund.

Comments:

1. Mr. Neal Taniguichi of the Superior Court advises that the increased costs for private defense attorneys resulted from the increased number of indigent individuals assigned private defense attorneys through the Indigent Defense Program. According to Mr. Taniguichi, one of the primary reasons for the increased caseload was because from March of 1998 until October 1, 1999, the Public Defender's Office provided attorneys in only three of the four courtrooms that held arraignment hearings, due to insufficient staffing for the Public Defender's Office. Therefore, the Superior Court had to assign private defense attorneys through the Indigent Defense Program to indigent individuals who had arraignment hearings in the additional courtroom that did not have attorneys from the Public Defender's Office.

According to Mr. Taniguichi, as of October 1, 1999, the Public Defender's Office was able to hire nine additional staff (8 attorneys and one private investigator) and to provide attorneys for indigent individuals for all the arraignment courtrooms. Therefore, since October 1, 1999, the Indigent Defense Program has only needed to provide private defense attorneys to indigent individuals if the Public Defender determines that a conflict of interest exists.

2. Mr. Taniguichi advises that Indigent Defense Program expenditures lag approximately three months behind increased caseload assignments due to delays in private attorney billings, approval and reimbursement. Therefore, the additional costs that were incurred from these private defense attorneys by the Superior Court between March of 1998 and October of 1999, had to be paid primarily from FY 1999-2000 budgeted funds. In FY 1999-2000, the Superior Court received a total of $5.9 million for indigent defense attorneys, juvenile attorney fees, private investigator fees, witness fees and other related expenses. The Budget Analyst notes that approximately 78 percent of this budget, or

approximately $4.6 million, is used to pay for the indigent attorney fees. In addition, as discussed above, the Superior Court received a supplemental appropriation of an additional $508,000, of which $254,000 was placed on reserve, which is the subject of the proposed request. Therefore, the total appropriation for these related purposes in FY 1999-2000 was $6,408,000 ($5.9 million original appropriation plus $508,000 supplemental appropriation).

3. Mr. Taniguichi provided documentation of the following indigent conflicts attorney, juvenile attorney, investigator, expert witness and related expenditures that have already been paid by the Controller's Office for FY 1999-2000:

July, 1999	$776,108
August	859,295
September	719,973
October	490,137
November	602,984
December	475,157
January, 2000	287,971
February	559,403
March	605,169
April	507,038
May	275,663
Total Amount Paid To Date	$6,158,898
Additional Amount Documented (See Comment No. 4)	262,008
Total FY 1999-2000 Expenses	**$6,420,906**
Total Amount Previously Appropriated And Released	$6,154,000
Balance Remaining	$266,906

4. Ms. Cynthia Quevado of the Controller's Office advises that the Superior Court has submitted a total of an additional $139,648 of private attorney billings to the Controller's Office that cannot be

paid by the Controller's Office, because the Superior Court does not have funds to pay such outstanding bills. The Superior Court has also provided documentation of an additional approximately $122,360 of billings that the Court has not yet submitted to the Controller's Office for payment, that came in during May of 2000, for total additional expenditures of $262,008. Therefore, the Budget Analyst recommends approval of the requested release of $254,000 to pay such outstanding private attorney and related bills.

5. The Budget Analyst notes that even with the release of the requested $254,000, the Superior Court would still not have sufficient funds to pay $12,906 of documented outstanding bills from FY 1999-2000. In addition, based on the Budget Analyst's inquiries, the Superior Court advises that there is another approximately $1,000,000 of outstanding private attorney bills for indigent defense and related expenses that the Court received in June of 2000, that have not yet been processed but still need to be paid. According to Mr. Taniguichi, because the FY 1999-2000 funds have been exhausted, these FY 1999-2000 expenditures will have to be paid from the Superior Court's FY 2000-01 budget.

6. The Budget Analyst notes that the Superior Court will receive $6,546,000 to pay for indigent defense attorneys, private investigators and related costs in FY 2000-01. However, this increased amount includes rate increases averaging 11 percent for the private attorneys and approximately 29 percent for the private investigators for cases assigned by Superior Court Judges as of July 1, 2000. As of the writing of this report, Mr. Taniguichi could not predict whether the Superior Court will have sufficient funds to pay for the additional approximately $1 million of expenditures from attorney bills accrued in FY 1999-2000, from the FY 2000-01 budgeted funds.

BOARD OF SUPERVISORS
BUDGET ANALYST

7. During the FY 2000-01 budget deliberations, a preliminary analysis conducted by the Budget Analyst indicated that the private court appointed counsel cases are already higher than the average costs per case of the Public Defender's Office for comparable cases. Based on this factor, combined with the significant increase in private attorney billings that occurred in June of 2000, that was not anticipated, the Budget Analyst continues to recommend that the City conduct an analysis of the comparative costs of creating a second Public Defender's Office in lieu of using private counsel for all conflict of interest cases. Such second Public Defender's Offices have been established in other counties in California such as San Diego and Contra Costa counties.

Recommendation: Approve the proposed requested release of $254,000.

Item 12 - File 00-0852

Department: Library

Item: Ordinance (a) approving a Memorandum of Understanding (MOU), dated as of July 1, 1999, between the San Francisco Public Library and the Friends and Foundation of the San Francisco Public Library ("Friends and Foundation") for use of space in the Main Library building for the performance of Library-related services, generation of revenues for Library Department purposes, and assurance of private funds to provide support on an ongoing basis for the San Francisco Public Library system; and (b) amending Article XIII, Chapter 10, Part One of the San Francisco Municipal Code ("Administrative Code") by adding section 10.116-6 thereto, authorizing the City Librarian, or his or her designee, to accept and expend any individual gifts from the Friends and Foundation of a value of $25,000 or less; and (c) authorizing and approving certain agreements to be made between the City and the Friends and Foundation as contemplated by such MOU, including a lease of office and gift store space and an agreement giving the Friends and Foundation the right to manage the meeting rooms, auditorium, and other space for private functions and special events and to charge fees for such uses.

Description: The proposed ordinance would approve (a) a Memorandum of Understanding (MOU) between the City and the Friends and Foundation of the San Francisco Public Library, which would include the lease of Library space to be used for Friends and Foundation office space and a gift shop, (b) a Marketing and Events Management Agreement between the City and the Friends and Foundation, which is Section 3 of the subject MOU, for marketing and events management of space for private functions and events, and (c) an amendment to the Administrative Code to authorize the City Librarian to accept and expend any individual gifts from the Friends and Foundation of $25,000 or less without receiving Board of Supervisors approval.

The proposed MOU would be effective retroactively to July 1, 1999, and would expire on June 30, 2005, a six-year

period.[1] Under the proposed MOU, the Friends and Foundation would provide a minimum of $200,000 per year of private funding to the Library for library-related projects. The Library would permit the Friends and Foundation to use approximately 2,686 square feet for office space, and approximately 300 square feet for a gift store. In exchange, the Friends and Foundation would pay rent of $1 per year rent for the office space and $1 per year rent for the gift store space.

The proposed Marketing and Events Management Agreement, which is described in Section 3 of the subject MOU, would be ratified retroactively for the period from July 1, 1999 through June 30, 2000. For the one-year period from July 1, 1999 through June 30, 2000, the Library provided space in the Main Library for private functions and non-City events. According to Mr. George Nichols of the Library, the Library determined fees for special events, and received approximately $50,600 in revenue generated by those fees in FY 1999-00. $60,000 was included in the FY 1999-00 Library budget to pay the Friends and Foundation an annual events management fee, which is $9,400 more than the $50,600 in revenues generated. According to Mr. Nichols, the consultant hired by the Library to study the Marketing and Events Management Program recommended to the Library Commission that the Program not be continued as it was currently structured. Although the proposed MOU provides that the Friends and Foundation has the option to extend the subject Agreement for a period of up to one year to June 30, 2001, subject to City approval and appropriation of funds by the Board of Supervisors, Mr. Nichols states that the Friends and Foundation did not exercise that option with the period required by the MOU. As a result, the Agreement terminated as of June 30, 2000.

The proposed amendment to the Administrative Code would authorize the City Librarian to accept and expend individual gifts of cash, goods or services, valued at $25,000 or less, from the Friends and Foundation without prior approval from the Board of Supervisors. Under the

[1] According to Mr. George Nichols of the Library, the proposed MOU is retroactive because of an extended negotiating process with Friends and Foundation, which had recently merged into one organization, as noted in Comment No. 1, and because of administrative delays.

proposed amendment, the City Librarian would submit an annual written report to the Controller and the Clerk of the Board of Supervisors listing the gifts accepted from the Friends and Foundation and summarizing how the City Librarian expended such gifts.

Comments:

1. According to Mr. Nichols, the Friends and Foundation of the San Francisco Public Library is a volunteer organization governed by a Board of 30 volunteer members, dedicated to fundraising to support the Library. The Friends and Foundation, a nonprofit organization, was formed out of the July 1, 1999 merger of two organizations formerly known as the Friends of the San Francisco Public Library ("Friends") and the Library Foundation of San Francisco ("Foundation"). The Friends was a nonprofit organization founded in 1961 and dedicated to raising funds for Library programs. The Foundation was a nonprofit organization founded in 1991 to raise private funds to pay for Library furnishings, fixtures, and project support. The Friends have been operating under an MOU with the City and County of San Francisco dated February 23, 1996, in which it has been providing the Library with supplemental funding for particular library projects. The Foundation had been operating under an MOU with the City and County of San Francisco, dated May 2, 1996, which terminated on June 30, 1999, the date the Foundation ceased to exist. The Foundation had also been operating under an events management agreement, dated September 30, 1996, in which the Foundation provided services for the marketing and management of the event space in the Main Library for meetings, lectures, receptions, and other private events after the Library's public hours. Although the events management agreement with the Foundation expired on June 30, 1999, the Foundation continued to provide special event management services to the Library in FY 1999-2000.

2. The proposed MOU, including the Marketing and Events Management Agreement, would cover the merged organization, Friends and Foundation of the San Francisco Public Library, and would be effective retroactively to the date of the merger, July 1, 1999. The proposed MOU, except for the Events Management Agreement, would be effective through June 30, 2005 and could be extended on a year-to-

year basis after June 30, 2005. The Marketing and Events Management Agreement, which is Section 3 of the subject MOU, would be effective retroactively to July 1, 1999 through June 30, 2000. Under the terms of the MOU, the Friends and Foundation had the option to extend the Marketing and Events Management Agreement for a period of up to one year from July 1, 2000 through June 30, 2001 by giving written notice to the City after June 1, 2000 and before June 30, 2000. Under the terms of the MOU, such extension would be subject to the approval of the City Librarian and the appropriation of funds by the Board of Supervisors. According to Ms. Adine Varah of the City Attorney's Office, because the Friends and Foundation did not exercise their option to extend the Marketing and Events Management Agreement during the time period specified in the MOU, the Agreement terminated on June 30, 2000 and will not be renewed.

3. Under the proposed MOU, the Friends and Foundation would provide the City a minimum of $200,000 per year in private funding. The Library would provide to the Friends and Foundation 2,686 square feet of office space for $1 annual rent and 300 square feet of gift shop space for $1 annual rent. The Library would provide basic building utilities and services, including electricity, heating, ventilation, air conditioning, and janitorial services, at its costs. According to the MOU, under no event would the $200,000 in annual private funding be less than the fair market value of the office and gift shop space, totaling 2,986 square feet (2,686 plus 300). According to Ms. Claudine Venegas of the Department of Real Estate, commercial rental space in the Civic Center ranges from $32 to $36 per square foot annually. Therefore, fair market value for the subject office space would range from $95,552 annually (2,986 square feet time $32 per square foot) to $107,496 annually (2,986 square feet time $36 per square foot).

4. The proposed ordinance would amend the Administrative Code to authorize the City Librarian to accept and expend funds of $25,000 or less from the Friends and Foundation without Board of Supervisors approval. The proposed amendment would require that the City Librarian submit a written report to the Controller and the Clerk of the Board

of Supervisors annually listing the gifts accepted from the Friends and Foundation and summarizing how such funds were expended. Currently, Board of Supervisors approval is required to accept and expend gifts greater than $5,000. According to Mr. Nichols, the Library has submitted 4 such resolutions to the Board of Supervisors in FY 1999-00. As stated in the attached memorandum (Attachment) provided by the Library, the Library would benefit from the proposed amendment to the Administrative Code, because the amendment would "facilitate timely implementation of activities funded through gift funds received from the Friends and Foundation, (and) reduce the Library's administrative processing of various small gifts provided by the Friends and Foundation without compromising the need for public disclosure of funds received and spent". The Budget Analyst considers approval of the proposed amendment to the Administrative Code to be a policy matter for the Board of Supervisors because it would authorize the City Librarian to accept and expend gifts up to $25,000 from the Friends and Foundation without prior Board of Supervisors approval.

5. In summary, the Budget Analyst recommends approval of the proposed MOU between the City and the Friends and Foundation which would provide the Library a minimum of $200,000 per year in private funding in exchange for gift shop and office space for the Friends and Foundation. Additionally, the Marketing and Special Events Agreement, included in Section 3 of the proposed MOU, was terminated on June 30,2000, and will not be renewed. The Budget Analyst considers approval of the proposed amendment to the Administrative Code to be a policy matter for the Board of Supervisors because it would authorize the City Librarian to accept and expend gifts from the Friends and Foundation of $25,000 or less without prior Board of Supervisors approval.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors, as noted in Comment No. 4.

of Supervisors annually listing the gifts accepted from the Friends and Foundation and summarizing how such funds were expended. Currently, Board of Supervisors approval is required to accept and expend gifts greater than $5,000. According to Mr. Nichols, the Library has submitted 4 such resolutions to the Board of Supervisors in FY 1999-00. As stated in the attached memorandum (Attachment) provided by the Library, the Library would benefit from the proposed amendment to the Administrative Code, because the amendment would "facilitate timely implementation of activities funded through gift funds received from the Friends and Foundation, (and) reduce the Library's administrative processing of various small gifts provided by the Friends and Foundation without compromising the need for public disclosure of funds received and spent". The Budget Analyst considers approval of the proposed amendment to the Administrative Code to be a policy matter for the Board of Supervisors because it would authorize the City Librarian to accept and expend gifts up to $25,000 from the Friends and Foundation without prior Board of Supervisors approval.

5. In summary, the Budget Analyst recommends approval of the proposed MOU between the City and the Friends and Foundation which would provide the Library a minimum of $200,000 per year in private funding in exchange for gift shop and office space for the Friends and Foundation. According to the MOU, under no event would the $200,000 in annual private funding be less than the fair market value of the office and gift shop space. Additionally, the Marketing and Special Events Agreement, included in Section 3 of the proposed MOU, was terminated on June 30,2000, and will not be renewed. The Budget Analyst considers approval of the proposed amendment to the Administrative Code to be a policy matter for the Board of Supervisors because it would authorize the City Librarian to accept and expend gifts from the Friends and Foundation of $25,000 or less without prior Board of Supervisors approval.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors, as noted in Comment No. 4.

<u>BOARD OF SUPERVISORS</u>
BUDGET ANALYST

San Francisco Public Library

July 12, 2000

TO: Severin Campbell, Budget Analyst
Budget Analyst's Office

FR: Susan Hildreth, Acting City Librarian

RE: PROPOSED AMENDMENT TO CCSF ADMINISTRATIVE CODE

The Public Library has enjoyed a longstanding and beneficial relationship with the Friends of the San Francisco Public Library and the Library Foundation of San Francisco. Last year these two entities merged into a single organization – the Friends & Foundation of the San Francisco Public Library – which continues to provide substantial financial support for Library programs and activities through private gifts, donations, and bequests. The public/private partnership fostered through the years between the Public Library and the Friends & Foundation has greatly benefited the Library, the City, and the public who use the Library's services. The proposed amendment to the Administrative Code would provide the following three benefits:

1. Facilitate timely implementation of activities funded through gift funds received from the Friends & Foundation.

2. Reduces the Library's administrative processing of various small gifts provided by the Friends & Foundation without compromising the need for public disclosure of funds received and spent.

3. Reduces administrative workload for the Board and its committees by eliminating the need to refer routine matters to the Board for consideration. This will be accomplished without diminishing the Board's oversight responsibility through annual reporting by the Library on gifts received from the Foundation that are less than $25,000.

We appreciate your review and strongly urge your support for this amendment.

Item 13 - File 00-1249

Department: Mayor's Office of Public Finance

Item: Resolution approving and authorizing the execution and delivery of a Second Amendment to the Project Lease between the Redevelopment Agency and the City for the 1988 expansion of the Moscone Convention Center.

Summary: The proposed resolution would authorize an amendment to the subject Project Lease between the Redevelopment Agency enabling the Mayor's Office of Public Finance to substitute a surety policy for the current balance of the debt service reserve for Series 1988 Moscone Convention Center Expansion Project bonds.

By doing so, net bond proceeds in the anticipated amount of $14,810,475 would become available for the new Moscone Convention Center Expansion project in FY 2000-01. The release of the bond funds from the debt service reserve reduces the Hotel Tax Fund revenue required for the new Expansion Project budgeted in the FY 2000-01 Convention and Facilities Management budget.

This transaction is structured to produce a General Fund benefit in the amount of the bond funds that would become available ($14,810,475), since Hotel Tax revenues not transferred to the Convention and Facilities Management budget become a source of funds for the City's General Fund.

Description: 1. In March of 1988, the City and the Redevelopment Agency entered into a Project Lease Agreement for the initial Moscone Convention Center Expansion Project. Also in 1988, the Redevelopment Agency issued lease revenue bonds in a par amount of $137,631,130 to finance construction of the Expansion Project. Subsequently, in 1992, the Redevelopment Agency issued refunding bonds for the Expansion Project in the par amount of $100,274,997. Presently, the total annual debt service on the lease revenue bonds is $19,778,200.

2. Lease revenue bonds require that a portion of the bond proceeds be set aside as a debt service reserve. The original balance of the debt service reserve for the initial Moscone Convention Center Expansion Project was $13,763,113. The estimated balance as of July 31, 2000 is $15,397,000 including interest earnings on the reserve fund.

3. The Mayor's Office of Public Finance proposes to substitute a surety policy[1] for the debt service reserve. As explained in the Attachment, provided by Ms. Nadia Sesay of the Mayor's Office of Public Finance, a competitive bid for the surety policy was conducted by the Mayor's Office of Public Finance. The bond insurance firm of Financial Security Assurance, Inc. (FSA) was selected as the low bidder. FSA's bid was four percent of the debt service reserve requirement. Therefore, the proposed cost of the surety policy is $550,525 (four percent of the original debt service reserve amount of $13,763,113). Costs that would be incurred as a result of the proposed transaction are shown in the table below:

FSA - Surety Policy	$ 550,525
Financial Advisor Services	6,000
City Attorney costs and Bond Counsel fees	25,000
Mayor's Office of Public Finance	5,000
Total Transaction Cost	$ 586,525

4. The amount of bond funds that would be released to the Moscone Center Expansion Project in the FY 2000-01 budget as a result of this transaction is therefore estimated to be $14,810,475 (the $15,397,000 balance of the debt service reserve less the transaction cost of $586,525 shown above).

5. Besides the transaction costs detailed above, the proposed substitution of the surety policy for the debt service reserve would also result in decreased interest earnings between the present and the year 2018, when the final payment will be made on the outstanding 1992 bonds. According to Ms. Sesay, the Mayor's Office of Public Finance estimates that the debt service reserve funds would achieve interest earnings (above the reserve requirement) over that period equivalent to a present value of approximately $4,000,000. Such additional interest earnings could be used to reduce debt service on the existing lease revenue bonds issued for the 1988 Moscone Convention Center Expansion Project over the period between present and the final redemption of the bonds in the year 2018.

[1] A surety policy is a form of insurance provided by a bond insurer to satisfy a reserve fund requirement for a bond issue.

Comment: During the Finance and Labor Committee's recent hearings on the Mayor's recommended FY 2000-01 budget, a technical adjustment to the budget added an expenditure appropriation of $14,915,000 to the Convention and Facilities Management budget to reflect the estimated amount of bond funds that would become available following approval of this proposed resolution by the Board of Supervisors. Since Board of Supervisors approval has not yet been achieved, Mr. Matthew Hymel, Deputy Controller, states that the $14,915,000 has been reserved by the Controller pending such approval. As noted above, the net proceeds currently anticipated from the proposed transaction total $14,810,475, or $104,525 less than the $14,915,000 amount in the budget.

Mr. Hymel has confirmed that only funds in the amount of the net proceeds actually realized will be released for expenditure in the FY 2000-01 Convention and Facilities Management budget.

Recommendation: Approve the proposed resolution.

Harvey M. Rose

Supervisor Yee
Supervisor Bierman
President Ammiano
Clerk of the Board
Controller
Steve Kawa

Attachment

OFFICE OF THE MAYOR
SAN FRANCISCO

WILLIE LEWIS BROWN, JR.

July 11, 2000

TO: Ken Bruce
Budget Analyst

FROM: Nadia Sesay
Public Finance

RE: Redevelopment Agency of the City and County of San Francisco Lease Revenue Bonds (George R. Moscone Convention Center) Series 1988 and Series 1992 Reserve Fund Substitution

The Redevelopment Agency and the Mayor's Office of Public Finance are in the process of substituting a debt service reserve surety bond, to be provided by Financial Security Assurance Inc. (FSA), for the cash reserve currently in place for the above-referenced financings

FSA was selected through a bid process with their bid being the lowest, premium of 4.00% of the reserve requirement. The reserve requirement is $13,763,113. The costs associated with this transaction are as follows:

FSA (Surety bond Provider)	$550,525
CSG (Financial Advisor)	6,000
City Attorney and Bond Counsel	25,000
Mayor's Office of Public Finance	5,000
TOTAL	$586,525

The balance in the Reserve Fund as of today is $15,328,354. The funds are currently invested in Commercial Paper and will mature on July 31, 2000. The amount of $14,915,000 submitted to the board represents the maximum net amount the City will receive at the closing of this transaction.

The surety policy which will be in place upon completion of this transaction will transfer on July 1, 2004, the Cross Over Date, to satisfy the reserve requirement of the Series 1992 bonds. The reserve requirement on the Series 1992 Bonds is $9,047,279.75. The present value in lost interest due to the substitution is approximately $5.6 million in interest earnings over the life of the bonds, which have a final maturity of July 1, 2018 which includes $1.56 million in earnings currently in the account.

I hope I was able to answer your questions. Please feel free to call me at (415) 554.5956 with any additional questions.

City and County of San Francisco
Meeting Minutes
Finance and Labor Committee

Members: Supervisors Leland Yee, Sue Bierman, Tom Ammiano

Clerk: Mary Red

Wednesday, July 26, 2000 **10:00 AM** **City Hall, Room 263**

Regular Meeting

Members Present: Leland Y. Yee, Tom Ammiano.

Members Absent: Sue Bierman.

Meeting Convened

The meeting convened at 10:12 a.m.

001231 [Building Code - Apartment House and Hotel License Fees]

Ordinance amending Part II, Chapter 1, of the San Francisco Municipal Code (Building Code) by amending Table 1-P of Section 110 to change the method of calculating the annual apartment house fees from number of rooms to number of units. (Building Inspection Department)

(Amends Table 1-P of Section 110.)

6/28/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Lesley Stansfield, Department of Building Inspection; Supervisor Yee.

RECOMMENDED by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

001156 [Debt Limit Information]

Supervisor Yee

Ordinance amending Article V of the San Francisco Municipal Elections Code, by amending Section 520 to require the Controller's financial analysis of any general obligation Bond measure to include an explanation of the City's legal debt limit, as well as the impact of the proposed Bond measure on that limit.

(Amends Section 520.)

6/19/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Ed Harrington, Controller; Supervisor Yee; Emeric Kalman.

RECOMMENDED by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

000903 **[Reserved Funds, Planning Department]**

Hearing to consider release of reserved Funds, Planning Department (File 990668: Ordinance No. 127-99), in the amount of $50,000 to fund the services of an outside contractor, DMG Maximus, Inc., to analyze the Department's current fee schedule. (Planning Department)

5/17/00, RECEIVED AND ASSIGNED to Finance and Labor Committee

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Ed Harrington, Controller; Costolino Hogan, Fiscal Officer, Planning Department; Diane Lim, Manager, Finance and Administration, Planning Department.

Release of reserved funds Disapproved.

FILED by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

000998 **[General Plan Amendments designating 45 Hoff Street and 236-238 Vernon Street as "proposed public open space," Planning Case No. 2000.026EM]**

Resolution approving amendments to the San Francisco General Plan in order to approve acquisition of Lot 19 in Assessor's Block No. 3569, also known as 45 Hoff Street, and acquisition of Lots 30, 31 in Assessor's Block No. 7075, also known as 236-238 Vernon Street, by the City and County of San Francisco, to establish a new public park in the North Mission District and to enlarge Brooks Park; incorporating by reference findings pursuant to the California Environmental Quality Act. (Planning Department)

(Fiscal impact; Case Report dated May 4, 2000 regarding proposal to amend the Recreation and Open Space Element of the General Plan; Planning Commission Resolution No. 15068 dated May 25, 2000 adopting amendment to the Recreation and Open Space Element of the General Plan; Planning Commission Resolution No. 15069 adopted May 25, 2000 finding the project in conformity with the General Plan; Certificate of Determination of Exemption/Exclusion from Environmental Review dated March 13, 2000.)

5/26/00, RECEIVED AND ASSIGNED to Finance and Labor Committee Also see Files 000223 and 000788

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Supervisor Ammiano; Stephen Shotland, Planning Department.

RECOMMENDED by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

001136 **[PUC-San Joaquin River agreement to implement the 1995 California Water Quality Control Plan.]**

Resolution authorizing the General Manager of the Public Utilities Commission to execute an agreement on behalf of the City and County of San Francisco. (San Joaquin River agreement to assist in funding salmon monitoring programs over the next 12 years to implement the 1995 California Water Quality Control Plan.) (Public Utilities Commission)

6/14/00, RECEIVED AND ASSIGNED to Finance and Labor Committee

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Michael Carlin, Public Utilities Commission.

RECOMMENDED by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

001197 [Airport Lease for China Airlines, Ltd.]

Resolution approving a lease agreement for cargo warehouse and office space in the West Field Cargo Building I, between China Airlines, Ltd., and the City and County of San Francisco, acting by and through its Airport Commission. (Airport Commission)

6/21/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Jon Ballesteros.

RECOMMENDED by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

001201 [Airport Lease for Asiana Airlines, Inc.]

Resolution approving a lease agreement for cargo warehouse and office space in the West Field Cargo Building I, between Asiana Airlines, Inc., and the City and County of San Francisco, acting by and through its Airport Commission. (Airport Commission)

6/21/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Jon Ballesteros.

RECOMMENDED by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

001245 [Airport Lease for North Field Cargo Building I to Korean Air Lines, Ltd.]

Resolution approving lease agreement for cargo warehouse and office space in the North Field Cargo Building I, between Korean Air Lines, Ltd., and the City and County of San Francisco, acting by and through its Airport Commission. (Airport Commission)

7/3/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Jon Ballesteros.

RECOMMENDED by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

001230 [Prop J, Contracting out Airport Shuttle Bus Services]

Resolution approving the Controller's certification that shuttle bus services for San Francisco International Airport's Long-term Parking Lot and the Employee Garage DD can practically be performed by private contractor at a lower cost than if work were performed by City and County employees at presently budgeted levels. (Airport Commission)

6/28/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Jon Ballesteros; Emeric Kalman.

RECOMMENDED by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

001239 **[Prop J, Contracting out management of Bill Graham Civic Auditorium/Moscone Center]**

Resolution concurring with Controller's certification that convention facilities management, operation and maintenance services can be practically performed at Bill Graham Civic Auditorium and Moscone Center by private contractor for lower cost than similar work services performed by City and County employees. (Administrative Services Department)

6/29/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; John Noguchi, Convention Facilities Management.

RECOMMENDED by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

001241 **[Reserved Funds, Treasure Island Development Authority]**

Hearing to consider the following request from Treasure Island Development Authority: (1) Release of reserved funds, (Fiscal Year 1999-2000 Budget), in the amount of $215,325 to fund an extension of the Authority's contract for environmental monitoring services for the period July 1, 2000 - December 31, 2000; (2) Reallocate $130,000 to fund a Environmental Impact Report for the conveyance of former naval station Treasure Island to the Authority. (Mayor)

6/28/00, RECEIVED AND ASSIGNED to Finance and Labor Committee

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Annemarie Conroy, Executive Director, Treasure Island Development Authority; Emeric Kalman.
Amended, release of reserved funds in the amount of $215,325, approved;
release of reserved funds in the amount of $130,000 to pay consultant to prepare EIR pending selection of contractor and submission of budget details, continued to call of the chair

AMENDED by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

Hearing to consider release of reserved funds in the amount of $130,000, Treasure Island Development Authority,to fund an Environmental Impact Report for the conveyance of former naval station Treasure Island to the Authority. (Mayor)

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

001059 **[Option Contract for the Sale of Real Property]**

Supervisor Kaufman

Resolution adopting findings pursuant to the California Environmental Quality Act; declaring the Bernal property to be surplus; approving an option contract for the sale of the Bernal property to GHC Bernal Investors, LLC.

6/5/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

6/12/00, SUBSTITUTED. Supervisor Kaufman submitted a substitute resolution bearing same title.

6/12/00, ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Larry Klein, Acting General Manager, Public Utilities Commission; Carol Meyer, GHC Bernal Investors, LLC; Supervisor Yee; Charles Sullivan, Deputy City Attorney.

RECOMMENDED by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

ADJOURNMENT

The meeting adjourned at 11:39 a.m.

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

July 20 , 2000

TO: Finance and Labor Committee

FROM: Budget Analyst

SUBJECT: July 26, 2000 Finance and Labor Committee Meeting

Item 1 - File 00-1231

Department: Department of Building Inspection (DBI)

Item: Ordinance amending Part II, Chapter I, of the San Francisco Municipal Code (Building Code) by amending Table 1-P of Section 110 to change the method of calculating the annual apartment house license fees from number of rooms to number of units.

Description: Building Code Section 110, Table 1-P, sets the annual apartment house and hotel license fees. The proposed ordinance would amend Building Code Section 110, Table 1-P to (a) change the method of calculating the annual apartment house license fee, (b) include an additional fee for hotels with more than 175 rooms, and (c) eliminate the current fee for change of ownership of apartment houses and hotels. Currently, annual apartment house license fees are based upon the total number of rooms in the building, regardless of how many individual residential units (apartments) are in the building.[1] The proposed

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[1] For example, under the current Building Code an apartment building which contained 3 units or apartments of 4 rooms each would be assessed the apartment house license fee based upon 12 rooms (3 times 4). Under the proposed ordinance, the apartment building would be assessed the apartment house license fee based upon 3 units.

ordinance would change the method of calculation of annual apartment house license fees by basing such fees on the number of individual residential units rather than the total number of rooms in the building. The proposed ordinance would calculate the annual apartment house license fee as follows:

Current Building Code, Section 110, Table 1-P	*Proposed Building Code, Section 110, Table 1-P*	*Annual Apartment House License Fee*
Less than 20 rooms	3 units	$111.85
20 to 29 rooms	4 to 6 units	$142.00
30 to 39 rooms	7 to 10 units	$187.95
40 to 49 rooms	11 to 15 units	$248.35
50 to 59 rooms	16 to 20 units	$344.15
60 rooms or over	21 to 30 units	$404.50

Under the current Building Code, the annual license fee is capped at $404.50 for apartment houses of 60 rooms or more. Under the proposed ordinance, apartment houses of more than 30 units would pay an annual fee of $50 for each additional 10 units in addition to the annual fee of $404.50.

Under the current Building Code, the annual hotel license fee is capped at $563.05. Under the proposed ordinance, hotels with more than 175 rooms would pay an annual fee of $50 for each additional 25 rooms, in addition to the annual fee of $563.05.

Additionally, the proposed ordinance would eliminate the $34.15 fee charged when the apartment house or hotel changes ownership.

Fiscal Impact: Under the current fee structure, in FY 1999-2000 DBI budgeted for $3,150,000 in apartment license fees and collected $2,852,686 in such fees, which is $297,314 or 9.4 percent less than the budgeted amount. Under the proposed ordinance which changes the fee structure, the Department of Building Inspection (DBI) estimates that the City would collect $3,454,018 in annual apartment house license fees, which is $304,018 or 9.65 percent more than the amount of $3,150,00 which DBI budgeted in FY 1999-00, and $601,332 or 21 percent more than the amount of $2,852,686 which DBI collected in FY 1999-00.

Under the current fee structure, in FY 1999-2000, DBI budgeted for $340,000 in hotel license fees and collected $287,174 in such fees, which is $52,826 or 15.53 percent less than the budgeted amount. Under the proposed ordinance which removes the cap on hotel license fees for hotels with more than 175 rooms, DBI estimates that the City would collect $364,735 in annual hotel license fees, which is $24,735 or 7.3 percent more than the amount of $340,000 which DBI budgeted in FY 1999-00, and $77,561 or 27 percent more than the amount of $287,174 which DBI collected in FY 1999-00.

Ms. Lesley Stansfield of DBI states in the attached memorandum (Attachment), "Any resulting increase in revenue will be a result of a more efficient system, not an increase of fees". Ms. Stansfield advises that DBI did not include increased fee revenues in the FY 2000-01 budget. The Attachment provides an explanation of the reasons for the proposed changes in the fees.

Comments:

1. According to Ms. Stansfield, the City currently maintains records on the number of individual residential apartment units rather than on the total number of rooms in an apartment building. Because the City tracks the number of individual residential units and not the total number of rooms in an apartment building, Ms. Stansfield states that the proposed ordinance would allow the City to more accurately assess and collect the annual apartment house license fees and increase the amount of revenues collected. Additionally, Ms. Stansfield states that the additional fees for apartment houses with more than 30 units and hotels with more than 175 rooms would allow the City to defray a portion of the costs of inspecting such apartment houses and hotels. As noted previously, DBI estimates that the City would receive $601,332 or 21 percent more in FY 2000-01 from apartment house license fees than were actually collected in FY 1999-2000, and $77,561 or 27 percent more in FY 2000-01 from hotel license fees than were actually collected in FY 1999-2000 due to the proposed change in the method of calculating such fees. Ms. Stansfield advises that the apartment house and hotel license fees defray a portion of the costs of routine and complaint-driven inspections of apartment houses and hotels, and that the total cost of apartment

house and hotel inspections is funded by the Building Inspection Fund.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Stansfield, Lesley A

From: Stansfield, Lesley A
Sent: Thursday, July 20, 2000 4:51 PM
To: Campbell, Severin
Subject: Liscence fee changes

Reasons for the changes:

1. For years we have been unable to collect all the fee money due us for apartment buildings because many of our records have no information on room counts. It is difficult to obtain accurate information in this area because it entails review of approved building permit plans or a physical walk through of the premesis to make the count. Sometimes it is impossible to gain entry to the building. We do not use this room count information for any other purpose.

2. However, all of our records do contain information on the number of units. We receive this from the assesors records, City Planning data and our own historical archives. Also, the service provided and time spent on each inspection has a better correlation with number of units than number of rooms. We spend more time in public areas or with a complaintant in a unit than on a per room basis

3. Finally, the Building Inspection Commission asked us to correct the inequity of cut off fees for both Apartments and Hotels. All Apartments over 60 rooms and all Hotels over 150 rooms pay a flat fee no matter how large. This has the effect of smaller buildings subsidizing the larger ones which receive substantially more service.

4. Any resulting increase in revenue will be a result of a more efficient system not an increase of fees.

Item 2 - File 00-1156

Item: Ordinance amending Article V of the San Francisco Municipal Elections Code, by amending Section 520, to require the Controller's financial analysis of any General Obligation Bond measure to include an explanation of the City's Legal Debt Limit, as well the impact of the proposed bond measure on that limit.

Description: Currently, the Municipal Elections Code, Section 520, requires the Controller to prepare an impartial financial analysis of each measure submitted to the voters, to be included in the voter information pamphlet. This analysis must include any increase or decrease in cost to the City, as well as changes to the tax rate, resulting from the measure. The subject ordinance would amend the Municipal Elections Code, Section 520, to require the Controller to also include in the voter information pamphlet, for any General Obligation bond measures placed on the ballot, a separate analysis of the City's legal debt limit and the impact of any proposed bond measures on that limit.

Comments: 1. According to Mr. Harrington, as a service to voters, the Controller already provides information about the effect of proposed bond measures on the City's legal debt limit in the voter information pamphlet, as part of a separate section labeled "An Overview of San Francisco's Debt." Mr. Harrington is concerned that also including this information about the City's debt limit under the description for specific General Obligation bond measures, as required by the subject ordinance, would separate information that should, in fact, be read as part of the Controller's larger analysis of the City's debt. Therefore, as an alternative to the proposed ordinance, Mr. Harrington suggests that voters would be better served if the Controller added a sentence in his impartial financial analysis describing specific General Obligation bond measures, which would refer voters to the "Overview of San Francisco's Debt" analysis contained separately in the voter information pamphlet.

2. Currently, the separate "Overview of San Francisco's Debt," provided by the Controller in the Voter

Information Packet, includes an analysis of the of the City's debt limit, and the effect of any proposed General Obligation bond measures on that debt limit. This "Overview" currently provides an analysis of how all General Obligation bonds on the ballot will collectively affect the City's debt limit. Mr. Harrington advises that he would support also including in his "Overview" an analysis of how each proposed bond measure will individually affect the City's debt limit.

3. According to Ms. Patty Fado of the Department of Elections, the subject ordinance expanding the Controller's analysis in the voter information pamphlet would result in increased printing costs, however, the exact amount of these increased costs would depend on the length of the Controller's analysis and the number of General Obligation bond measures on the ballot. Ms. Fado advises that, currently, there is no limit on the number of words that may be included in the proposed expanded Controller's analysis.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Item 3 - File 00-0903

Department:	City Planning Commission (CPC)
Item:	Hearing to consider release of reserved funds, Planning Department (File 99-0668; Ordinance No. 127-99), in the amount of $50,000 to fund the services of an outside contractor, DMG Maximus, Inc., to analyze the Planning Department's current fee schedule.
Source of Funds:	FY 1998-99 Supplemental Appropriation of Planning Fee Revenues, approved by the Board of Supervisors in April of 1999.
Description:	In April of 1999, the Planning Department requested a supplemental appropriation to authorize the Planning Department to spend $541,530 in Department fee revenues for: (a) $491,530 computer equipment and software for Year 2000 compliance, and (b) $50,000 for a comprehensive analysis of the Department's fees for services to the public.

The Finance and Labor Committee approved the $491,539 for Year 2000 compliance and placed on reserve the $50,000 requested to study the Department's fee schedule, pending budget details and the selection of a consultant.

The subject $50,000 in reserved funds would be used to pay an outside consultant, DMG Maximus, Inc., for the analysis it has already completed of the Planning Department's fee schedule. According to Mr. Hogan, DMG Maximus, Inc. began working on the Planning Department's fee schedule analysis in December of 1999 and completed its study in June of 2000. Mr. Hogan advises that the Planning Department negotiated with the Controller's Office to include the Planning Department's fee study within a larger City contract with DMG Maximus, Inc. for financial consulting services in order to expedite the completion of the fee schedule analysis (See Comment No. 1 for additional details).

Budget: The budget for the subject reserved funds is as follows:

Rate per Hour	Number of Hours	Total Cost
$145	344.83	$50,000

Comments:

1. According to Ms. Ann Carey of the Controller's Office, the City has had a contract in the amount of $360,000 with DMG Maximus, Inc. since March 1, 1997 for technical assistance with cost reimbursements related to State mandates and other financial services. Ms. Carey advises that the Controller's Office selected DMG Maximus, Inc. on a sole sources basis, based on the contractor's expertise in State-mandated cost reimbursements. Ms. Carey advises the City's contract with DMG Maximus, Inc. includes a provision allowing DMG Maximus, Inc. to provide additional services to the City as needed, upon written request by the City.

2. The Budget Analyst notes that the Planning Department did not follow the required procedure for the subject contract with DMG Maximus, Inc. The City Planning Commission should have taken the following four steps to procure services under the Term Purchase Agreement with DMG Maximus, Inc.: (1) after drafting a task plan for the services, the Department should have submitted the plan to the Controller; (2) the Controller would have then decided whether or not to approve the task plan; (3) the Department should have then requested a release of the reserved funds from the Finance and Labor Committee, based upon the approved task plan, prior to doing any work on the project; and (4) once the reserved funds were released, the Controller would have then authorized the contractor to begin the work outlined in the task plan. In this case, according to Mr. Hogan, the Planning Department did draft a task plan. However, Ms. Carey advises that the Planning Department did not submit the task plan to the Controller for approval. In addition, the Planning Department failed to request that the Finance and Labor Committee release the reserved funds *before* the Planning Department gave the contractor permission to begin work. Ms. Carey also advises that the Planning Department failed to seek final authorization from the Controller for the contractor to begin work, and

that the Controller, not the Planning Department, should have been the Department to notify the contractor of permission to begin, since in this case, it is the Controller who administers the on-going contract with DMG Maximus, Inc.

3. As previously stated, the Finance and Labor Committee reserved the subject $50,000 for an analysis of the Planning Department's fee schedule, pending selection of an outside consultant and submission of budget details. In summary, the Budget Analyst notes that: (1) the Planning Department selected DMG Maximus, Inc. to conduct the fee analysis on a sole source basis based on an existing contract between DMG Maximus, Inc. and the Controller's Office and based on DMG Maximus' experience with similar fee analyses and cost recovery studies; (2) the subject release of reserved funds would retroactively reimburse DMG Maximus, Inc. for work it has already completed, as DMG Maximus, Inc. began the fee analysis in December of 1999 and completed the study in June of 2000; (3) the Planning Department therefore failed to request that the Finance and Labor Committee release the subject reserved funds prior to authorizing DMG Maximus, Inc. to begin its study; and, (4) the Planning Department directed DMG Maximus, Inc. to proceed with the fee schedule study without first obtaining the required authorization from the Controller, and without allowing the Controller, rather than the Planning Department, to notify the contractor of authorization to proceed.

Recommendation: For all of the reasons noted in Comment No. 3 above, the Budget Analyst considers the proposed release of reserved funds to be a policy matter for the Finance and Labor Committee.

Item 4 - File 00-0998

Department: Department of Real Estate (DRE)
City Planning (CPC)
Recreation and Park (RPD)

Item: Resolution approving amendments to the San Francisco General Plan to approve acquisition by the City and County of San Francisco of Lots 30 and 31 in Assessor's Block No. 7075, also known as 236-238 Vernon Street, to enlarge Brooks Park, and acquisition of Lot 19 in Assessor's Block No. 3569, also known as 45 Hoff Street, to establish a new public park in the North Mission District; incorporating by reference findings pursuant to the California Environmental Quality Act (CEQA).

Description: The subject resolution would amend the General Plan to authorize the Recreation and Park Department (RPD) to designate two sites as proposed open space in the Recreation and Open Space Element of the General Plan. However, according to Mr. Robert McDonald of RPD, amending the General Plan to include the two subject sites, described below, would not authorize RPD to acquire the property. For the first site, 236-238 Vernon Street, located in the Ocean View/Merced Heights neighborhood, RPD would be required to return to the Board of Supervisors to obtain authorization to purchase the property. For the second site, 45 Hoff Street, located in the North Mission area, the Board of Supervisors already authorized RPD to purchase the lot in May of 2000 (Resolution No. 00-0788, See Comment No. 2 below).

Brooks Park Addition

According to the Planning Department, Brooks Park is an existing hilltop park located in the Ocean View/Merced Heights neighborhood. RPD has proposed to acquire two lots adjacent to Brooks Park, located at 236-238 Vernon Street (Lots 30 and 31, Assessor's Block 7075), in order to expand and improve access to Brooks Park. (See Attachment I for map, provided by the Planning Department). Lot 30 and Lot 31 consist of 2,500 square feet each, for a total of 5,000 square feet. The subject resolution would amend Map 4 of the General Plan, the

Recreation and Open Space Element, to include 236-238 Vernon Street under the category "Proposed Public Open Space, Acquire for or Convert to Public Open Space."

According to the Planning Department, Lots 30 and 31 are privately owned by the same person and undeveloped. The Department of Building Inspection (DBI) has issued to the property owner site permits to construct one single-family residence on each of the two lots. According to the Planning Department, if the City amends the General Plan and designates the subject lots as "Proposed Open Space," the property owner will continue to have the right to pursue development of the privately-owned property. However, if the City acquires the subject property, then RPD would seek to reclassify the zoning of the property from single-family housing to public use and open space. As previously stated, RPD will be required to return to the Board of Supervisors to obtain approval to purchase the property. According to Mr. McDonald, if the City does acquire the subject lot, the RPD plans to establish native plants on the site and provide an access trail to the Brooks Park interior.

North Mission Park

RPD is in the process of acquiring one lot in the North Mission area located at 45 Hoff Street (Lot 19, Assessor's Block No. 3569), consisting of 10,104 square feet, in order to construct a neighborhood park. This lot is located between 16th and 17th Street, one block from the 16th Street and Mission BART station. (See Attachment II for map, provided by the Planning Department). The subject resolution would amend Map 4 of the General Plan, the Recreation and Open Space Element, to include 45 Hoff Street under the category "Proposed Public Open Space, Acquire for or Convert to Public Open Space."

According to the Planning Department, Lot 19 is currently used as a surface parking lot. The Planning Department advises that the North Mission area is not served by any City-owned parks or open space, and that the area has been designated a "High Need Area" for open space and recreational improvements. The subject

property would be used for a mini-park, including a children's playground, pending completion of the community input process.

As previously stated, in May of 2000, the Board of Supervisors authorized RPD to purchase the subject property at 45 Hoff Street for a total of $1,365,000, pending (See Comment No. 2 below).

Comments:

1. According to Mr. Ken Chopping of DRE, at this time, DRE is not able to provide an appraised value for Lots 30 and 31, adjacent to Brooks Park (236-238 Vernon Street). Mr. Chopping also advises that DRE is not certain whether the owner of the subject property adjacent to Brooks Park is a willing seller of both Lot 30 and Lot 31. As previously stated, if the City approves the subject resolution and designates the subject lots as "Proposed Open Space," the property owner will continue to have the right to pursue development of the privately-owned property under a building permit granted by the Department of Building Inspection.

2. In May of 2000 the Board of Supervisors authorized RPD to purchase the subject property at 45 Hoff Street in the North Mission area for a purchase price of $1,350,000, or $133.61 per each of the 10,104 square feet, plus $15,000 in closing costs, for a total cost of $1,365,000, which according to Mr. Chopping represents fair market value (Resolution No. 00-0788). According to Mr. McDonald, this land purchase of $1,365,000 is being funded partially by a State General Fund Grant ($1,083,500) and partially from the Open Space Fund ($281,500). The specific plans for the proposed mini-park and children's playground to be developed on the subject property would be determined through a community hearing process. Mr. McDonald states that RPD has allocated a total $1,000,000 in Open Space Funds to purchase and develop a North Mission Open Space property. Of the $1,000,000 allocated for North Mission Open Space, $500,000 in Open Space Funds were included in the FY 2000-2001 RPD budget and $500,000 in Open Space Funds were allocated in prior years' budgets for purchase and development of a North Mission Open Space property and not expended ($200,000 in FY

1996-97, $200,000 in FY 1997-98, and $100,000 in FY 1998-99, totaling $500,000). Of the $1,000,000 in available funds, $281,500 would be expended for the purchase of the subject property, as stated above, and $718,500 would remain for the design and development costs of the proposed mini-park. Mr. McDonald states that actual design and development costs have not yet been determined, pending completion of the community hearing process. According to Mr. Chopping, DRE is still negotiating with the property owner and expects to close escrow in August of 2000. Mr. McDonald estimates that public hearings on the use of the North Mission property would take place in Fall of 2000, and construction of the proposed park would begin in Spring of 2001 and be completed by Winter of 2002. According to Mr. McDonald, RPD requires approval of the subject resolution in order to complete the purchase of the property.

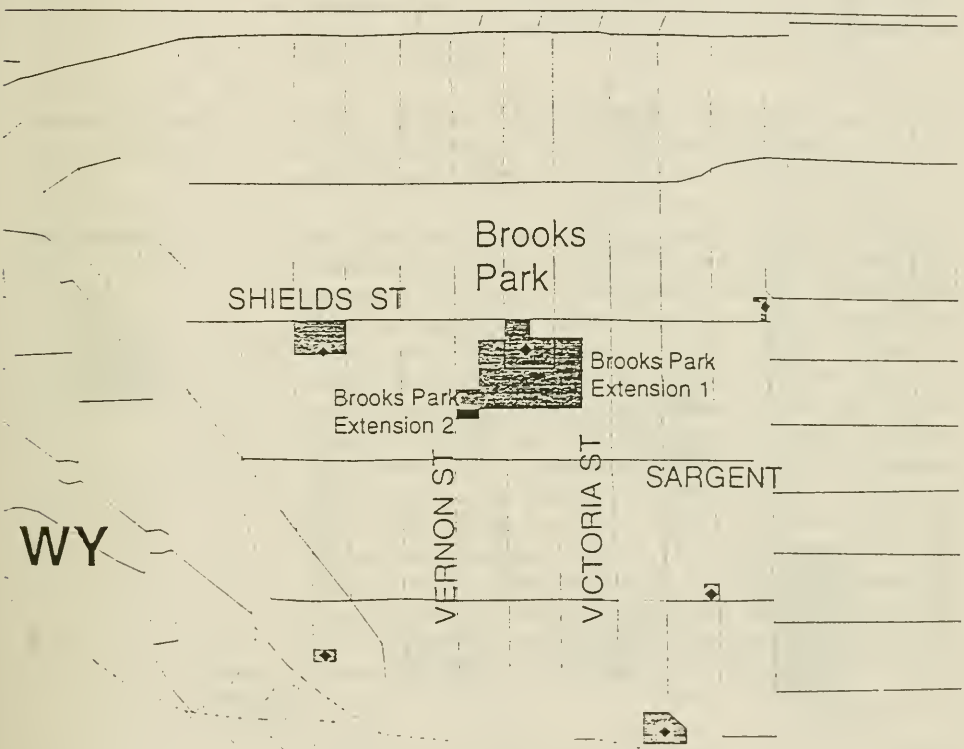
3. On March 13, 2000, the Planning Department certified that the proposed amendments to the General Plan are exempt from review under the California Environmental Quality Act (CEQA).

4. In a letter dated May 25, 2000, Mr. Gerald Green, Director of Planning, found that the subject amendments to the General Plan to designate proposed Brooks Park Addition and North Mission Park as "proposed Public Open Space, Acquire for Convert to Public Open Space," were in conformity with the goals of the General Plan. On May 25, 2000 the Planning Commission adopted the subject amendments to the General Plan (Resolution No. 15068).

Recommendation: Approval of the proposed resolution is a policy matter for the Board of Supervisors.

San Francisco Planning Department

San Francisco Park & Open Space Program, FY 2000-2001
Proposed Acquisition & Development Funding



Proposed Acquisition, Brooks Park Extension 2, AB 7035, lots 30, 31

Existing Park / Open Space

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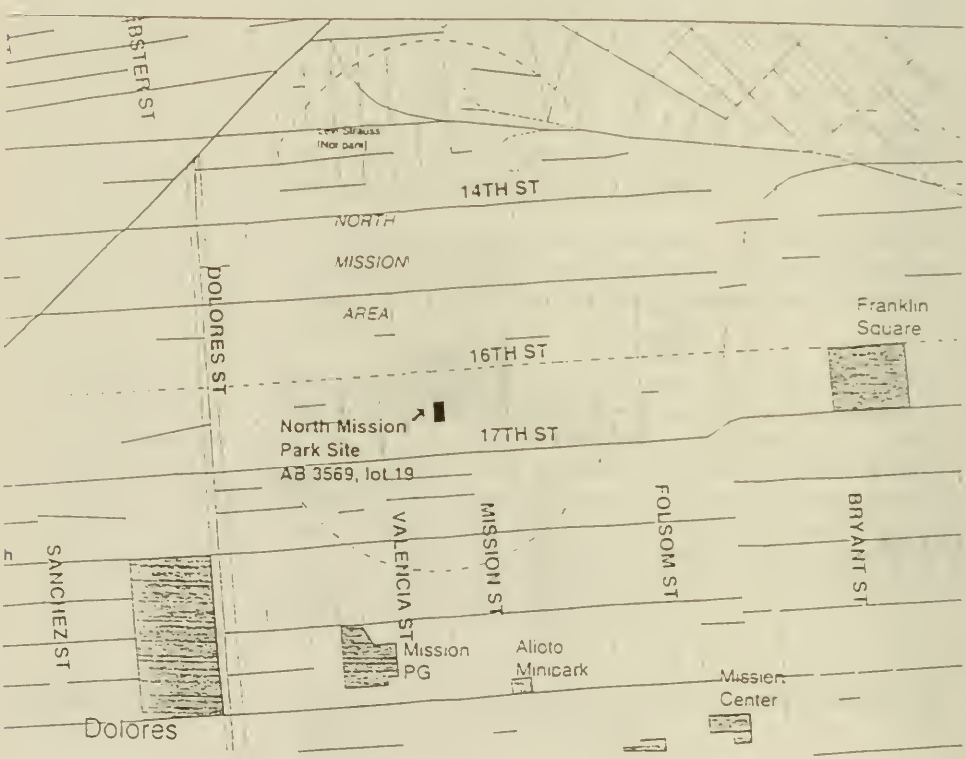
San Francisco Planning Department

San Francisco Park & Open Space Program, FY 2000-2001
Proposed Acquisition & Development Funding



North Mission Park Site, AB 3569, lot 19
Proposed Acquisition & Development Site

Existing Park / Open Space

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Item 5 - File 00-1136

Department: Public Utilities Commission (PUC)

Item: Resolution authorizing the General Manger for the Public Utilities Commission (PUC) to execute the San Joaquin River Agreement on behalf of the City and County of San Francisco.

Amount: $150,000 over the next 12 years ($12,500 per year), from August of 2000 until August 2012, payable by the City to the San Joaquin River Group Authority (See Comment No. 1 for details).

Source of Funds: Hetch Hetchy Budget ($12,500 included in the Fiscal 2000-2001 budget and $12,5000 to be included in each of the budgets for the following 11 Fiscal Years).

Description: In 1995, the State Water Resources Control Board adopted the Water Quality Control Plan of the San Francisco Bay/San Joaquin Delta Estuary ("the State Plan") in an effort to protect salmon and other wildlife by setting standards for chemical quality and the amount of water flowing in the San Joaquin River and its tributaries. According to Mr. Michael Carlin, the Water Resources Planning Manager for the Public Utilities Commission (PUC), the State Water Resources Control Board noted at the time that implementation of the State Plan could affect the water rights of more than 500 parties, including San Francisco's senior rights to divert water from the Tuolumne River, a tributary of the San Joaquin River. Therefore, the manner in which the State Water Resources Control Board implemented the 1995 State Plan could substantially impact the City's water supply.

In order to implement the 1995 State Plan, while protecting the water rights of involved parties, Federal and State agencies, major water rights holders in the San Joaquin River basin, and other stakeholders came together to create the subject 12-year San Joaquin River Agreement (See Attachment I, provided by the PUC, for a list of parties to the Agreement). The subject resolution would authorize the City to enter into the San Joaquin

River Agreement and authorize the General Manager for the Public Utilities Commission (PUC) to execute the Agreement on behalf of the City.

The Agreement would: (1) protect salmon and other wildlife by setting standards for chemical quality and the amount of water flowing in San Joaquin River and its tributaries; and, (2) authorize the Vernalis Adaptive Management Program (VAMP), which is a study based in the City of Vernalis, located on the San Joaquin River, to analyze the effect of chemical quality and water level standards on salmon habitat conservation. (See Attachment II, provided by the PUC, for additional information).

According to Mr. Carlin the subject Agreement does not require the City to release any of its stored water or reduce the amount of water the City is permitted to collect from the Tuolumne River. However, the City would be obligated to pay a total of $150,000, or $12,500 per year for the 12 years of the agreement, from August of 2000 to August of 2012, to help fund the VAMP study of salmon conservation in the San Joaquin River. According to Mr. Carlin, the total cost of the 12-year VAMP study is estimated to be $4,800,000, which will be funded jointly by the different parties to the subject agreement, listed in Attachment I. Therefore, the City would fund 3.1 percent ($150,000) of the entire $4,800,000 12-year project.

Other water jurisdictions party to the subject Agreement have agreed to release specific amounts of water over the next 12 years in order to meet goals set in the Agreement for the amount of water flowing in the San Joaquin River and its tributaries. Attachment III, provided by the PUC, lists the water schedules for participating jurisdictions. According to Mr. Carlin, Federal and State agencies are providing a total of $4 million over the next 12 years to compensate these jurisdictions for their water releases. As previously noted, the agreement does not require the City to release any additional water, and therefore, the City will not receive any of the $4 million in Federal and State compensation funds. Mr. Carlin advises that the City did not agree to releasing additional water because, if the

City did so, the City would not be able to meet water demand during times of shortage.

Comments:

1. According to Mr. Carlin, the City actively participated in the three-year negotiation that produced the San Joaquin River Agreement. Mr. Carlin advises that the parties to the San Joaquin River Agreement will be formally linked in a San Joaquin River Group Authority to administer the subject agreement and VAMP study. Mr. Carlin advises that the agreement authorizing the City to enter into the San Joaquin River Group Authority will be submitted separately for consideration by the Board of Supervisors in August of 2000. Attachment I, provided by the PUC, lists the members of the San Joaquin River Group Authority.

2. On April 25, 2000 the Public Utilities Commission: (1) approved the subject agreement; (2) agreed to fund up to $150,000 for monitoring costs; and (3) recommended that the Board of Supervisors approve the Agreement (Resolution No. 00-0108).

Recommendation: Approve the proposed resolution.

Parties to the San Joaquin River Agreement	Annual Contribution	12- Year Contribution
FEDERAL	$100,000	$1,200,000
Bureau of Reclamation Fish and Wildlife Service		
STATE	$100,000	$1,200,000
Department of Water Resources Department of Fish and Game		
SAN JOAQUIN RIVER GROUP AUTHORITY	$100,000	$1,200,000
Merced Irrigation District Modesto Irrigation District Oakdale Irrigation District South San Joaquin Irrigation District Turlock Irrigation District Friant Water Users Authority San Joaquin River Exchange Contractors Water Authority City and County of San Francisco*		
STATE WATER PROJECT/CENTRAL VALLEY PROJECT	$100,000	$1,200,000
TOTAL COST	**$400,000**	**$4,800,000**

*San Francisco contributes a 1/8 share, or $12,500. Approval of the City to enter into the San Joaquin River Group will be submitted separately for consideration to the Board of Supervisors in August of 2000. Funding for the monitoring program is not contingent on being a member of the San Joaquin River Group.

Source: Public Utilities Commission (PUC)

AGENDA ITEM

00-0108

Public Utilities Commission

City and County of San Francisco

DEPARTMENT System Planning (SPEAC) AGENDA NO. 14

MEETING DATE April 25, 2000

SUMMARY OF PROPOSED ACTION:

Approving the San Joaquin River Agreement, authorizing $150,000 ($12,500 annually) to fund San Francisco's share of monitoring costs under the Agreement, and recommending the Board of Supervisors approve the Agreement which has a term greater than ten years.

DESCRIPTION OF PROPOSED ACTION:

In 1995, the State Water Resources Control Board adopted a Water Quality Control Plan for the San Francisco Bay/Sacramento-San Joaquin Delta Estuary. The Plan sets interim instream flow objectives for the San Joaquin River to protect salmon, and long-term outflow objectives for the Delta to protect other fish. The San Joaquin River instream flow objectives were interim because of scientific uncertainty about the relative impact of flows, export pumping and other factors on salmon survival.

In July 1998, the Board began water rights hearings to implement its 1995 Plan. The Board noticed over 500 parties that their water rights might be affected by implementation of the 1995 Plan, including San Francisco's senior rights to divert from the Tuolumne River. The manner in which the Board chooses to implement the 1995 Plan may substantially impact the City's water supply. Many senior water rights holders have long questioned whether the Board has jurisdiction to limit the rights of senior water rights holders to implement the Bay-Delta water quality control plan.

Federal and state agencies, major water rights holders in the San Joaquin River basin, and other stakeholders have jointly proposed the San Joaquin River Agreement as a settlement of their potential obligations to implement the 1995 Plan. The Agreement has a term of twelve years. The Agreement protects salmon and other fish and wildlife while conducting a test (the Vernalis Adaptive Management Program or "VAMP") to gain better scientific information on the relationship of flow, export pumping and a Delta barrier during the spring outmigration of

APPROVAL:

DEPARTMENT / BUREAU	Steve Medbery	FINANCE	Carlos Jacobo
UTILITIES ENGR. BUREAU		GENERAL MANAGER	
COMMISSION SECRETARY	Jill R. Thompson		

Department:

Project:

salmon. Under the Agreement, the San Joaquin River Group Authority guarantees up to 110,000 acre-feet to supplement existing flows in the San Joaquin River at Vernalis during 31 days in spring in order to implement the VAMP. The Agreement also provide 12,500 acre-feet for flows in the Merced River in October and no less than 15,000 acre-feet for discretionary flows in the Stanislaus River. Federal and state agencies will pay $4 million per year to the Authority for the guaranteed VAMP flows, and market price for additional flows.

San Francisco actively participated in the three-year negotiation that produced the Agreement. The Agreement recognizes that implementation of the 1996 Tuolumne River FERC settlement agreement will substantially improve habitat conditions for salmon. Under the 1996 Tuolumne River FERC settlement agreement, San Francisco agreed to fund up to $2.4 million in restoration actions and pay $3.5 million annually to buy flows to benefit salmon. Consequently, the Agreement does not require San Francisco to release water to implement the 1995 Plan. However, the SFPUC did agreed to provide up to $150,000 ($12,500 annually) to fund VAMP monitoring programs over the next twelve years.

CONTEXT OF THIS ACTION:

The SFPUC has been involved in the State Water Resources Control Board Bay-Delta hearings over the past five years. The San Joaquin River Agreement and VAMP have been a subject of those hearings. The State Board has approved the Agreement as part of the findings of the hearings. SFPUC joining the San Joaquin River Group Authority will give it voting rights in the implementation of the Agreement.

Commission approval is required for the general manager to execute the Agreement. Commission approval is required to authorize funding up to $150,000 ($12,500 annually) in monitoring costs over the next twelve years. Board of Supervisor's approval by resolution is required because the Agreement has a term longer than ten years.

Funding for this activity is available in the Hetch Hetchy Enterprise Object 054, Fixed Charges, Index Code 326113.

PROS/CONS:

The pros are that it would give the SFPUC voting rights within the San Joaquin River Group Authority over the implementation and direction of the Agreement. SFPUC participation in the Authority would be recognized in the State Board as complying with the 1995 Water Quality Control Plan to meet instream flow objectives. There are no significant cons to this proposal.

ATTACHMENTS:

1. Resolution

SJRG DIVISION AGREEMENT

Technical Appendix

The Division Agreement identifies the volume and order in which water is provided by the entities of the San Joaquin river Tributary Agencies to meet the VAMP flows. The volumes and priorities of the Division are as follows:

le/ n in to/ ck

Priority in Descending Order	First 50,000 AF Acre-Feet	Next 23,000 AF	Next 17,000 AF	Next 20,000 AF	Totals (AF)
Merced ID	25,000	11,500	8,500	10,000	55,000
OID/SSJID	10,000	4,600	3,400	4,000	22,000
San Joaquin Exchange	5,000	2,300	1,700	2,000	11,000
MID/TID	10,000	4,600	3,400	4,000	22,000
Friant	0	0	0	0	0
SFPUC	0	0	0	0	0

From approximately February 10th through April 15th of each year, the Hydrology Group of San Joaquin River Technical Committee (SJRTC) will meet to determine the volumes of water required to meet the VAMP flows. This volume of water, together with the order identified above and in the Division Agreement, will dictate which entities of the SJTA will be involved in the current year's operation for providing VAMP flows.

Source: Public Utilities Commis

Items 6, 7 and 8 – Files 00-1197, 00-1201 and 00-1245

Department: Airport Commission

Items: Item 6, File 00-1197: Resolution approving a Lease Agreement for cargo warehouse and office space in the West Field Cargo Building I, between China Airlines, Ltd., and the City and County of San Francisco, acting by and through its Airport Commission.

Item 7, File 00-1201: Resolution approving a Lease Agreement for cargo warehouse and office space in the West Field Cargo Building I, between Asiana Airlines, Inc., and the City and County of San Francisco, acting by and through its Airport Commission.

Item 8, File 00-1245: Resolution approving a Lease Agreement for cargo warehouse and office space in the North Field Cargo Building I, between Korean Air Lines, Ltd., and the City and County of San Francisco, acting by and through its Airport Commission.

Purposes of Leases: Items 6 and 7, Files 00-1197 and 00-1201: These two new leases provide for China Airlines, Ltd. and Asiana Airlines, Inc. to occupy warehouse and office space in the Airport's West Field Cargo Building I, to be located in the West Field Area of the Airport. The West Field Cargo Building is currently under construction, at an estimated cost of $19,000,000, which will be reimbursed to the Airport through the tenants' annual rental payments to the Airport. According to Ms. Diane Artz of the Airport, China Airlines, Ltd. and Asiana Airlines, Inc. both presently rent warehouse space outside of the Airport because there is not sufficient space within the Airport to meet the needs of all airlines desiring warehouse space. The West Field Cargo Building under construction replaces the former "Airborne Building" that was damaged in the Loma Prieta earthquake and was subsequently demolished in 1989. The new West Field Cargo Building, therefore, is not part of the Airport's Master Plan Program and was primarily funded by FEMA monies.

Under the proposed leases, China Airlines, Ltd. and Asiana Airlines, Inc. would both use the West Field Cargo Building to conduct air cargo related business including receiving, delivery, dispatching, processing and storage of air cargo and mail and for no other purpose.

Item 8, File 00-1245: This new lease provides for Korean Air Lines, Ltd. to occupy warehouse and office space in the Airport's North Field Cargo Building I, to be located in the North Field Area of the Airport. The North Field Cargo Building has been constructed in phases at an estimated cost of $59,000,000. Federal Express Corporation and Nippon Cargo Airlines, Inc. (NCA) will be the other tenants of the North Field Cargo Building. Federal Express Corporation has already taken occupancy of its respective portion of the North Field Cargo Building, while NCA will take occupancy before the end of 2000. According to Ms. Artz, construction costs will be reimbursed to the Airport through the tenants' annual rental payments to the Airport. Korean Air Lines, Ltd. presently rents warehouse space outside of the Airport because there is not sufficient space within the Airport to meet the needs of all airlines desiring warehouse space. The North Field Cargo Building is intended to enhance utilization of North Field acreage and increase aircraft access to the area. This new Cargo Building replaces Hangar C-01, which has been demolished, to accommodate additional cargo activity in accordance with the Airport's Master Plan Program.

Under the proposed lease, Korean Air Lines, Ltd. would use the North Field Cargo Building to conduct air cargo related business including receiving, delivery, dispatching, processing, handling and storage of air cargo and mail.

Lessor: City and County of San Francisco, acting by and through its Airport Commission

Lessees: Item 6, File 00-1197: China Airlines, Ltd.

Item 7, File 00-1201: Asiana Airlines, Inc.

Item 8, File 00-1245: Korean Air Lines, Ltd.

Number of Sq. Ft.:

Item 6, File 00-1197: China Airlines will occupy a total of approximately 38,821 square feet of exclusive space in the West Field Cargo Building, including 33,535 square feet of warehouse space, 5,286 square feet of office space and eleven truck dock positions. Total space in the West Field Cargo Building is approximately 67,340 square feet of warehouse space and 74,740 square feet of office space.

Item 7, File 00-1201: Asiana Airlines will occupy a total of approximately 39,874 square feet of exclusive space in the West Field Cargo Building, including 34,887 square feet of warehouse space, 4,987 square feet of office space and eleven truck dock positions. Total space in the West Field Cargo Building is approximately 67,340 square feet of warehouse space and 74,740 square feet of office space.

Item 8, File 00-1245: Korean Air Lines will occupy a total of approximately 19,700 square feet of exclusive space in the North Field Cargo Building, including 18,500 square feet of warehouse space, 1,200 square feet of office space and four truck dock positions. Total space in the North Field Cargo Building is approximately 188,000 square feet of warehouse space and 39,000 square feet of office space.

Amount Payable to Airport:

Items 6 and 7, Files 00-1197 and 00-1201: The proposed leases for the West Field Cargo Building would require China Airlines and Asiana Airlines to each pay the Airport an annual rent which is the greater of the Cost Amount[1] or the Market Value Amount[2] of their respective portions of the Cargo Building. According to Ms. Artz, the City's appraisals of the Cost Amount or the Market Value Amount may be conducted by the Airport or by the Department of Real Estate. The City will determine the exact Cost Amount and the Market Value Amount on or before 90 days prior to the date that the

[1] Cost Amount is the sum of (a) projected annual prorated debt service incurred by the City attributable to the design and construction of the Facility, (b) the current appraised land value, (c) the projected annual operating and maintenance charges for the Facility, and (d) related administrative charges incurred by the City.

[2] Market Value Amount is the rent a third party would be willing to pay to lease the Facility, based on (a) the size, location and age of the Facility, (b) the quality of construction of this new Facility (c) services provided under this proposed lease, and (d) the rental being obtained for new leases of space at the Airport.

first rental payment to the Airport is due. At this time Ms. Artz estimates that the rent payable by China Airlines and Asiana Airlines to the Airport will be at the Market Value and will range from $18 to $19 per square foot per year, or from $698,778 to $737,599 annually for China Airlines, based on its occupancy of 38,821 square feet and from $717,732 to $757,606 annually for Asiana Airlines, based on its occupancy of 39,874 square feet. According to Ms. Artz, the Airport conducted a survey of comparable warehouse space in the area to determine the Market Value Amounts of $698,778 to $737,599 annually for China Airlines and $717,732 to $757,606 annually for Asiana Airlines. Ms. Artz further states that these amounts, which represent the fair market value, are estimated to be more than the capital costs of each respective airline's components of the building and the Airport's annual operating and maintenance costs of each respective airline's components of the building.

The proposed leases also provide for annual increases in the rent based on increases in the Consumer Price Index. In the sixth year of each of the proposed leases, the annual rental payments to the Airport will be adjusted upward to a new Market Value Amount as determined by a City reappraisal of the Cargo Building, and the subsequent annual increases in the rent will be made based on increases in the Consumer Price Index through the end of the lease.

<u>Item 8, File 00-1245</u>: The proposed lease would require Korean Air Lines, Ltd. to pay the Airport an annual rent of $421,974, subject to adjustments upward. This rent amount is based on the rental rate of $21.42 per square foot per year for the 19,700 square feet, which the Airport established by determining which is the greater of the Cost Amount or the Market Value Amount as described above. The proposed rent amount of $21.42 per square foot per year was determined to be the Cost Amount of occupancy of the North Field Cargo Building by the Department of Real Estate when leases were established for Federal Express and Nippon Cargo Airlines, the other tenants of the building. According to Ms. Artz, the $21.42, which is at least equal to the fair market value, is estimated to recover the capital costs of Korean Air Lines, Ltd.'s components of the building, as well as to fully

reimburse the Airport for the Airport's annual operating and maintenance costs of Korean Air Lines, Ltd.'s components of the building.

The proposed lease also provides for annual upward adjustments in the rent based on increases in the Consumer Price Index. However, in the event that Korean Air Lines exercises the option to extend the term of the lease, the annual rental payment to the Airport will be adjusted upward to a new Market Value Amount as determined by a City reappraisal of the Cargo Building, and the subsequent annual increases in the rent will be made based on increases in the Consumer Price Index through the end of the lease.

Terms of Leases:

Item 6, File 00-1197: The proposed lease would be for ten years and four months, estimated to begin in September of 2000 when China Airlines begins its four month tenant improvement program, and to end in December of 2010. The cost of tenant improvements will be approximately $220,500 and will be paid in total by China Airlines.

Item 7, File 00-1201: The proposed lease would be for ten years and four months, estimated to begin in September of 2000 when Asiana Airlines begins its four month tenant improvement program, and to end in December of 2010. The cost of tenant improvements will be approximately $220,500 and will be paid in total by Asiana Airlines.

Item 8, File 00-1245: The proposed lease would be for five years and three months, estimated to begin in November or December of 2000 when Korean Air Lines begins its three month tenant improvement program, and to end in January or February of 2006. The Lease also contains a provision for a five year option to extend at the discretion of the tenant. The cost of tenant improvements will be approximately $240,450 and will be paid in total by Korean Air Lines.

Description:

Items 6 and 7, Files 00-1197 and 00-1201: The Airport is constructing a new West Field Cargo Building to provide cargo warehouse space. Completion of the construction of the West Field Cargo Building is

scheduled for September of 2000 at which time China Airlines and Asiana Airlines will take occupancy of their respective portions of the Cargo Building.

__Item 8, File 00-1245__: The Airport is constructing a new North Field Cargo Building to provide cargo warehouse space as part of the Airport's Master Plan Program. Completion of the construction of the North Field Cargo Building and aircraft parking positions on the airfield side of the building is scheduled for November or December of 2000, at which time Korean Air Lines, Ltd. will take occupancy of its portion of the Cargo Building.

Comments:

1. On June 6, 2000, the Airport Commission adopted Resolutions Nos. 00-0212, 00-0213 and 00-0211 recommending the award of leases without undergoing a competitive bidding process, to the proposed lessees, China Airlines, Ltd., Asiana Airlines, Inc. and Korean Air Lines, Ltd., respectively.

2. Section 2A.173 of the City Administrative Code states "The Airport Commission shall have power to negotiate and execute leases of airport lands and space in airport buildings, without necessity for competitive bidding, to any person, firm, or corporation engaged in air transportation ... provided, that the original term of any such lease shall not exceed 50 years, nor shall any extension of such lease exceed a period of 50 years."

3. According to Ms. Artz, the leases with China Airlines, Ltd., Asiana Airlines, Inc. and Korean Air Lines, Ltd., were recommended without soliciting competitive bids because the Airport has the authority to make such awards pursuant to the Administrative Code as cited in Comment No. 2 above, and because the Airport examines a criteria which includes (1) Metric Tonnage of cargo handled in a year; (2) whether an Airline is under a Lease and Use Agreement; (3) the quality and stability of an Airline; and (4) the types of cargo carried and opportunities for growth, to select airline tenants. Ms Artz states that this selection method is designed to promote competitiveness among the airlines. Ms. Artz further reports that China Airlines was chosen for space in the new Cargo Building because it is the only high tonnage airline operating under a Lease and Use

Agreement currently without cargo space on Airport and that Asiana Airlines, Inc. and Korean Air Lines, Ltd. were chosen for space in the new Cargo Buildings because they were found to best meet the criteria described above.

4. Ms. Artz reports that approximately 64,467 square feet of office space will remain in the West Field Cargo Building after China Airlines and Asiana Airlines take occupancy. Ms. Artz further states that the Airport is currently in discussions with the United States Customs Service to lease approximately 16,700 square feet of office space and with the United States Department of Agriculture to lease approximately 15,000 square feet of office space. Ms. Artz reports that the Airport is confident of finding other tenants to occupy the remaining approximately 32,767 square feet of office space and in the event that the United States Customs Service and the United States Department of Agriculture do not lease the office space, the Airport is certain that other tenants will be found to occupy the remaining space.

Recommendations: The Budget Analyst considers approval of the proposed resolutions to be a policy matter for the Board of Supervisors because the leases were awarded to the airlines without undergoing a competitive bidding process. However, in accordance with City Administrative Code, the Airport does have the authority to award such leases without competitive bids.

Item 9 – 00-1230

Department: Airport

Item: Resolution approving the Controller's certification that shuttle bus services for San Francisco International Airport's Long-term Parking Lot and the Employee Garage DD can continue to be practically be performed by private contractor at a lower cost than if similar work were performed by City and County employees.

Services to be Performed: Shuttle bus services for San Francisco International Airport's Long-term Parking Lot and Employee Parking Garage, located at the North end of the Airport on South Airport Road.

Description: Charter Section 10.104 provides that the City may contract with private firms for services which can be practically performed for a lower cost than similar work by City and County employees.

The Controller has determined that contracting for the shuttle bus services at the Airport for FY 2000-2001 would result in estimated savings as follows:

City-Operated Service Costs	Lowest Salary Step	Highest Salary Step
Salaries	$2,974,380	$3,952,351
Fringe Benefits	895,180	1,048,917
Total	3,869,560	5,001,268
Contractual Services Cost	4,108,800	4,108,800
Estimated Savings	($239,240)	$892,468

Comments:

1. Shuttle bus services consist of providing free ground transportation to airline passengers and employees between both the Airport long-term parking lot and the employee parking garage and the Airport terminals.

2. Shuttle bus services for San Francisco International Airport were first certified as required by Charter Section

10.104 in FY 1974-75 and have been contracted out continuously since then.

3. According to Mr. Daniel Pino of the Airport, the Airport awarded a ten-year contract for the operation of On-Airport Shuttle Bus services to SFO Shuttle Bus Company, effective January 1, 1998. The proposed resolution would approve the Controller's certification for the third full fiscal year of the ten-year contract, from July 1, 2000 through June 30, 2001.

4. The Budget Analyst notes that the Controller has determined that the Contractual Services Cost would be $892,468 less costly to perform when compared to the City's Highest Salary Step employees, but would be $239,240 more expensive when compared to the City's Lowest Salary Step employees, as shown on the previous page. According to Mr. Joe Matranga of the Controller's Office, the estimate of City-Operated Service Costs at the Lowest Salary Step of $3,869,560 were calculated using a new Muni trainee rate for Transit Operators for six months combined with the rate for a first salary step Transit Operator for six months. Mr. Matranga reports that the actual cost of service if performed by City employees would most likely be closer to the estimate of City-Operated Service Costs at the Highest Salary Step of $5,001,268 because it would not be feasible to hire all Transit Operators for the shuttle bus service at the lower trainee rate. Therefore, Mr. Matranga advises that the Controller's Office has certified that the proposed Contractual Services Cost is less costly than if similar work were performed by City and County employees.

5. The Contractual Service Cost used for the purpose of this analysis is based on the SFO Shuttle Bus Company projected FY 2000-2001 costs to provide the shuttle bus service at the Airport, according to Mr. Pino.

6. The estimated FY 2000-2001 Contractual Service Cost of $4,108,800 is $423,214 or 9.3 percent less than the FY 1999-2000 cost of $4,532,014.

7. The Controller's supplemental questionnaire with the Department's responses is attached to this report.

Recommendation: Approve the proposed resolution.

CHARTER 10.104.15 (PROPOSITION J) QUESTIONNAIRE

Department:	Airport Commission
Contract Services:	Airport Shuttle Bus Services
Contract Period:	July 1, 2000 to June 30, 2001

1) Who performed the activity/service prior to contracting out?
With construction of the Remote Public Parking Facility in 1975, shuttle bus service was initiated by contract. Prior to 1975, the area was utilized as a small lot for SFIA employee parking. An employee van service was provided by Airport Parking Management (APM).

2) How many City employees were laid off as a result of contracting out?
None (See #1)

3) Explain the disposition of employees if they were not laid off.
N/A (See #1)

4) What percentage of City employees' time is spent on services to be contracted out?
N/A (See#1)

5) How long have the services been contracted out? Is this likely to be a one-time or an ongoing request for contracting out?
Since 1975. The current contract commenced on January 1, 1998 for a 10-year period with up to five additional one-year options.

6) What was the first fiscal year for a Proposition J certification: Has it been certified for each subsequent year?
1974-1975. Yes, it has been certified each year since.

7) How will the services meet the goals of your MBE/WBE Action Plan?
Although this contract was not awarded to a MBE/WBE firm in 1996, it must adhere to the City's non-discrimination ordinance contained in Chapters 12B & 12C of the City's Administrative Code. This contract also contains MBE/WBE goals, which the Contractor must meet.

8) Does the proposed contract require that the contractor provide health insurance for its employees? Even if not required, are health benefits provided?
The contract does not require health insurance. However, the contractor provides health insurance for its employees per a labor agreement.

9) Does the proposed contractor provide benefits to employees with spouses? If so, are the same benefits provided to employees with domestic partners? If not, how does the proposed contractor comply with the Domestic Partners ordinance?
The contractor provides benefits to spouses and domestic partners.

Department Representative: 05/8/00
Duke Briscoe, Deputy Airport Director - Operations

Telephone Number: (650) 82 -5010

H:DPIno/WPDOCs/05033A9.DP1

Item 10 – File 00-1239

Department: Department of Administrative Services (DAS)

Item: Resolution concurring with the Controller's certification that convention facilities management, operation and maintenance services can continue to be practically performed at Bill Graham Civic Auditorium and Moscone Center by a private contractor for lower cost than similar work services performed by City and County employees.

Services to be Performed: Convention facilities management, operation and maintenance

Description: Charter Section 10.104 provides that the City may contract with private firms for services which had been performed by City employees if the Controller certifies, and the Board of Supervisors concurs, that such services can in fact be performed by private firms at a lower cost than similar work services performed by City employees.

The Controller has determined that contracting for convention facilities management, operations and maintenance services at the Bill Graham Civic Auditorium and Moscone Center for FY 2000-2001 would result in the estimated savings as follows:

City-Operated Service Costs	Lowest Salary Step	Highest Salary Step
Salaries	$9,212,712	$10,819,989
Fringe Benefits	2,569,540	2,822,093
Total	11,782,252	13,642,082
Contractual Services Cost	11,395,806	11,395,806
Estimated Savings	$386,446	$2,246,276

Comments: 1. Moscone Joint Venture, consisting of SMG and Thigpen Limited, Inc., is fully responsible under the direction of the City, for managing, operating and maintaining the Bill Graham Civic Auditorium and Moscone Center. Specifically, Moscone Joint Venture's

responsibilities include: (1) contracting with others for their use of the convention facilities; (2) promoting the use of the convention facilities; (3) conducting event management activities; (4) recruiting, employing, supervising and paying employees; and (5) maintaining the convention facilities and the equipment therein.

2. Convention facilities management, operation and maintenance services at Bill Graham Civic Auditorium and the Moscone Center were first certified as required by Charter Section 10.104 in 1981 and have been contracted out continuously since then. According to Mr. John Noguchi of Convention Facilities Management, Moscone Joint Venture has been the contractor for these services since 1991.

3. Mr. Noguchi reports that the Department of Administrative Services awarded a five-year contract for the provision of convention facilities management, operations and maintenance services at Bill Graham Civic Auditorium and the Moscone Center to Moscone Joint Venture, effective July 1, 1999. The proposed resolution would approve the Controller's certification for the second fiscal year of the five-year contract, from July 1, 2000 to June 30, 2001.

3. The Contractual Services Cost used for the purpose of this analysis is the Moscone Joint Venture's projected FY 2000-2001 costs to provide convention facilities management, operation and maintenance.

4. The Contractual Services Cost of $11,395,806 for FY 2000-2001 is $862,900 or 8.2 percent more than the FY 1999-2000 cost of $10,532,906.

5. The Controller's supplemental questionnaire with the Department's responses is attached to this report.

Recommendation: Approve the proposed resolution.

Attachment

CHARTER 10.104.15 (PROPOSITION J) QUESTIONNAIRE

DEPARTMENT: San Francisco Convention Facilities

CONTRACT SERVICES: Operations

CONTRACT PERIOD: July 1, 2000 - June 30, 2001

(1) Who performed the activity/service prior to contracting out?

City

(2) How many City employees were laid off as a result of contracting out?

None

(3) Explain the disposition of employees if they were not laid off.

Employees went to work for the contractor.

(4) What percentage of City employees' time is spent of services to be contracted out?

0%

(5) How long have the services been contracted out? Is this likely to be a one-time or an ongoing request for contracting out?

19 Years

(6) What was the first fiscal year for a Proposition J certification? Has it been certified for each subsequent year?

1982 - 1983. Yes.

(7) How will the services meet the goals of your MBE/WBE Action Plan?

Contractor is a joint venture with a minority principal.

(8) Does the proposed contract require that the contractor provide health insurance for its employees? Even if not required, are health benefits provided?

Yes.

(9) Does the proposed contractor provide benefits to employees with spouses? If so, are the same benefits provided to employees with domestic partners? If not, how does the proposed contractor comply with the Domestic Partners ordinance?

Yes

Department Representative John Noguchi

Telephone Number: 974-4027

Item 11 - File 00-00-1241

Department: Treasure Island Development Authority

Item: Hearing to consider the release of $345,325 reserved funds for the Treasure Island Project, which includes (a) release of $215,325 to fund an extension of the Treasure Island Development Authority's contract for environmental monitoring services for the six-month period from July 1, 2000 through December 31, 2000, and (b) release of $130,000 to fund an Environmental Impact Report for the conveyance of former naval station Treasure Island to the Authority.

Amount: $345,325

Source of Funds: General Fund monies of $500,000 appropriated and placed on reserve by the Board of Supervisors in the FY 1999-2000 Treasure Island budget. The Finance and Labor Committee approved release of $154,675 of the $500,000 on February 9, 2000 (File No. 00-0181) and continued to reserve $345,325.

Description: During the FY 1999-2000 budget review, the Board of Supervisors placed $500,000 on reserve, pending the establishment of a contract for monitoring the Navy's environmental investigation and remediation program of the former Treasure Island naval station. The Finance and Labor Committee approved release of $154,675 of the $500,000 on February 9, 2000, to fund a contract with Geomatrix, Inc., retaining $345,325 on reserve. The contract with Geomatrix was to provide oversight of the U.S. Navy's environmental investigation and remediation program on Treasure Island for the period from January 1, 2000 through June 30, 2000. The Treasure Island Development Authority ("Authority") is now requesting release of $345,325, which would include (a) $215,325 to extend the contract with Geomatrix retroactively from July 1, 2000 through December 31, 2000, and (b) $130,000 to fund an Environmental Impact Report (EIR) for the conveyance of former naval station Treasure Island to the Authority. According to Mr. Robert Mahoney of the Authority, Geomatrix has incurred costs for attending meetings after June 30, 2000 prior to

obtaining approval from the Finance and Labor Committee for the release of requested funds. Mr. Mahoney states that Geomatrix has not initiated any new work, such as field sampling or testing, after June 30, 2000. Mr. Mahoney states that Geomatrix has not yet submitted any bills for the work performed after June 30, 2000.

Budget: The summary budget for the requested release of $215,325 of the $345,325 in reserved funds to pay Geomatrix to monitor the Navy's clean up of Treasure Island naval station is as follows:

Scheduled technical meetings	$15,000	
Supplemental technical meetings	45,000	
Document review	45,000	
Interim data review	15,000	
Field oversight and sample	60,000	
Project tracking	10,000	
Subtotal		190,000
Contingency (11.8 percent)		25,325
Total		$215,325

The Attachment, provided by the Department of Public Works (DPW), contains details to support the budget noted above, including the hours and hourly rates for each of the specified activities.

Comments: 1. In addition to the requested release of $215,325 of the $345,325 on reserve noted above, the Authority is requesting release of $130,000 to prepare an Environmental Impact Report for the transfer of the former Treasure Island naval station from the Navy to the City. According to Ms. Hillary Gitelman of the Planning Department, transfer of the former Treasure Island naval station requires two environmental evaluations. Ms. Gitelman states that the Navy must provide an Environmental Impact Statement (EIS) that complies with the National Environmental Protection Act (NEPA) and the Authority must provide an Environmental Impact Report (EIR) that complies with the California Environmental Quality Act (CEQA). The Navy and the City began working together on a joint EIR/EIS for the disposal and reuse of Treasure Island in

1996. In 1998 the Planning Commission adopted environmental baseline conditions in accordance with the CEQA. Ms. Gitelman advises that the City and the Navy have been unable to prepare a joint EIS/EIR because the Navy has not addressed the City's concerns about the draft report's compliance with CEQA. The Authority, upon the recommendation of the Planning Department, has determined that it is necessary to prepare a separate CEQA report in preparation for the transfer of Treasure Island from the Navy to the Authority.

2. Ms. Gitelman advises that the Authority will issue a Request for Proposal (RFP) for a consultant to prepare the EIR upon Board of Supervisors approval of the proposed release of $130,000 and will select the consultant in September or October of 2000. Ms. Gitelman states that consultant would modify and update the draft EIR/EIS prepared jointly by the City and the Navy, prepare a final draft of the EIR and prepare the final EIR. The Authority has not yet selected a contractor and therefore, has not submitted budget details to the Finance and Labor Committee.

3. According to Mr. Robert Mahoney of the Authority, the Navy initiated an Installation Restoration (IR) Program to identify and investigate potential hazardous waste sites on Yerba Buena and Treasure Islands. Mr. Mahoney states that 25 IR sites were originally selected for investigation and remediation under the Federal Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). These 25 sites were grouped into Onshore and Offshore Operating Units. The subject contract with Geomatrix to monitor the Navy's environmental investigation and remediation program of Treasure Island is primarily for monitoring the Navy's environmental investigation and remediation of Site 12, one of the 25 IR sites, which includes 530 of Treasure Island's 904 housing units. According to Mr. Mahoney, the Authority expects that the Navy will finish the environmental investigation and remediation of Site 12 no later than December 31, 2000. Mr. Mahoney states that the Authority will need to continue monitoring the Navy's environmental investigation of the other 24 Onshore and Offshore IR sites for a period of approximately 12 months,

through July 1, 2001, with remediation actions continuing at least through July of 2003. Mr. Mahoney states that Treasure Island included $250,000 in the FY 2000-01 budget for ongoing monitoring of the Navy's investigative activities at the other sites, in addition to the monitoring of Navy's investigative work at Site 12 which is the subject of this request for release of $215,325.

Recommendations:

1. Approval of the release of $215,325 in funds reserved by the Board of Supervisors to fund a contract with Geomatrix is a policy matter for the Board of Supervisors because the contractor has incurred costs prior to Board of Supervisors approval.

2. Continue to reserve $130,000 to pay for a consultant to prepare the EIR, pending the selection of a contractor and submission of budget details to the Finance and Labor Committee.

Task & Staffing

Task One: Regularly Scheduled Technical Meetings	**$15,000**
Principal (occasional up to 10 hours) @ $165-180 per hour	1,800
Specialized senior staff (toxicologist, hydrogeologist) up to 75 hours @ $135	10,125
Associate Staff up to 20 hours @ $95-$105 per hour	2,100
Support Staff as needed $49-$75 per hour	975
Task Two: Supplemental Technical Meetings	**$45,000**
Principal (occasional up to 10 hours) @ $165-180 per hour	1,800
Specialized senior staff (toxicologist, hydrogeologist) up to 150 hours @ $135	20,250
Associate Staff up to 150 hours @ $95-$105 per hour	15,750
Support Staff up to 100 hours $49 $75 per hour	7,200
Task Three: Document Review	**$45,000**
Principal (occasional up to 20 hours) @ $165-180 per hour	3,600
Specialized senior staff (toxicologist, hydrogeologist) up to 140 hours @ $135	18,900
Associate Staff up to 150 hours @ $95-$105 per hour	15,750
Support Staff up to 90 hours $49-$75 per hour	6,750
Task Four: Interim Data Review	**$15,000**
Principal (occasional up to 10 hours) @ $165-180 per hour	1,800
Specialized senior staff (toxicologist, hydrogeologist) up to 75 hours @ $135	10,125
Associate Staff up to 20 hours @ $95-$105 per hour	2,100
Support Staff as needed $49-$75 per hour	975
Task Five: Field Oversight & Sample Collection	**$60,000**
Principal (occasional up to 30 hours) @ $165-180 per hour	5,400
Specialized senior staff (toxicologist, hydrogeologist) up to 200 hours @ $135	27,000
Associate Staff up to 20 hours @ $95 $105 per hour	2,100
Support Staff as needed $49 $75 per hour	500
Laboratory Costs	$25,000
Task Six: Project Tracking	**$10,000**
Principal (occasional up to 0 hours) @ $165-180 per hour	
Specialized senior staff (toxicologist, hydrogeologist) up 20 hours @ $135	2,700
Associate Staff up to 50 hours @ $95-$105 per hour	5,250
Support Staff as needed $49-$75 per hour	2,050
Task Seven: Contingency	**$25,500**

Item 12 - File 00-1059

Department: Public Utilities Commission (PUC)

Item: Resolution adopting findings pursuant to the California Environmental Quality Act (CEQA) declaring the Bernal Property to be surplus and approving an option contract for the sale of the Bernal Property to GHC Bernal Investors, LLC for the sale price of $126,288,800.

Description: The Bernal Property is approximately 500 acres of unimproved land, owned by the City's Water Department under the jurisdiction of the PUC. The property is located primarily in an unincorporated area of Alameda County, immediately adjacent to the City of Pleasanton. The City of San Francisco, through the PUC, intended to develop the Bernal Property to include approximately 1,900 homes, 750,000 square feet of commercial and office space and a golf course.

On August 1, 1996, Alameda County certified an Environmental Impact Report (EIR) submitted by the City, in accordance with the California Environmental Quality Act (CEQA) relative to the proposed development on the Bernal Property. On February 15, 2000, the City of Pleasanton certified an EIR in accordance with CEQA for the Bernal Property for the City's development of the parcel, as described above. The proposed resolution would find and declare that (1) the Board of Supervisors has reviewed and relied upon the Alameda County EIR, the City of Pleasanton EIR and the CEQA findings, and in its independent judgment, the Board of Supervisors concurs with and adopts these findings and conclusions, and (2) there is no need to prepare a subsequent EIR because there have been no substantial project changes, no substantial changes to the project circumstances and no new information of substantial importance, since the adoption of PUC Resolution No. 00-0144 on May 31, 2000 that would alter the conclusions set forth therein.

The proposed resolution would also declare the Bernal Property to be surplus to the City's needs and that the public interest demands will not be inconvenienced by the selling of the Bernal Property. And finally, the proposed resolution would approve an Option Contract between the

City and Greenbriar Homes Communities (GHC), Bernal Investors, LLC and authorize the General Manager of the PUC to execute and perform all of the City's obligations under the Option Contract and to transfer the Bernal Property to GHC Bernal Investors, LLC.

GHC Bernal Investors, LLC has paid the PUC a nonrefundable $250,000 initial deposit to enter into the subject Option Contract, dated June 7, 2000, which is now subject to the Board of Supervisors approval. Under the proposed Option Contract, GHC Bernal Investors, LLC would have the right to purchase all of the approximately 500 acres of the Bernal Property for $126,288,800, or $252,578 per acre, by exercising the proposed Option Contract on or before September 29, 2000, and by paying the City a $2,000,000 deposit at that time. The closing date for the final sale of the property would be on or before October 31, 2000. Under the proposed Option Contract, the initial $250,000 deposit and the subsequent $2 million deposit would be credited toward the final purchase price of $126,288,800. If GHC Bernal Investors, LLC does not exercise their option to purchase the Bernal Property by September 29, 2000, the PUC would retain the initial $250,000 deposit.

Comments:

1. In August of 1998, the Board of Supervisors approved a resolution (File 98-1254) authorizing the PUC to prepare and solicit invitations to bid for the sale of the Bernal Property and exempted the sale of the Bernal Property from Article 1, Chapter 23 of the San Francisco Administrative Code, which (1) requires that the Director of Property, through the City's Real Estate Department, be directly involved with the purchasing or selling of City property, and (2) outlines specific advertising, public auction and other sale provisions. At the time of the Board of Supervisors approval, the PUC indicated that since the PUC, over the course of many years had been directly involved with the planning and development of the property with the City of Pleasanton and Alameda County, the PUC should continue to retain control of the Bernal Property sale process. At the time, the PUC also indicated that the City could proceed to either sell the property outright or partner with a private developer and share in the risk and profits of developing the property.

In November of 1998, the PUC issued a Request for Quotations (RFQ) for development of the Bernal Property. In January of 1999, after reviewing the documents submitted, the PUC qualified 12 bidders based on their financial status, development experience and other factors.

2. In April of 1999, the City sold approximately 11.2 acres of the Bernal Property to the Pleasanton Unified School District (Resolution No. 340-99) for construction of a public elementary school on the site for $3,000,000 in cash and $3,400,000 in transferable school fee credits required as part of the development of the Bernal Property, a total of $6,400,000, or approximately $571,429 per acre. At the time, a fair market valuation of this parcel was $6,580,000 ($587,500 per acre), or $180,000 more than the purchase price. The PUC had structured this sale of property to the School District to include reductions in the price of the property, if the Pleasanton City Council voted to approve the remaining Bernal Property project by January of 2000. However, to date, the City of Pleasanton has not approved the proposed project for the Bernal Property. Under the proposed Option Contract, the developer, GHC Bernal Investors, shall purchase the $3,400,000 of school credits from the PUC at their full face value when needed by GHC Bernal Investors, in addition to the proposed purchase price of $126,288,800 for the Bernal Property, for a total cash payment of $129,688,800.

3. Mr. John Malamut of the City Attorney's Office reports that after the City of Pleasanton failed to approve or take any further action on the Bernal Property, the PUC, with the assistance of the Mayor's Office and the City Attorney's Office entered into direct negotiations with the City of Pleasanton to sell approximately 430 acres of the Bernal Property directly to the City of Pleasanton for $50 million, in exchange for approval of the remaining 70 acres of Property for development. The remaining approximately 70 acres of the Property would then have been sold to a potential private developer for at least an additional $50 million for a total combined sales price of at least $100 million. However, this proposed sale to the City of Pleasanton was not authorized by the Board of Supervisors. Subsequently, Mr. Malamut advises that in

March of 2000, the City of Pleasanton failed by a slight margin to receive the required two-thirds voter approval for the $50 million bond measure (Pleasanton Measure I) that was necessary in order for the City of Pleasanton to purchase their portion of the Bernal Property.

As a result of the City of Pleasanton's failure to secure the necessary funds to purchase a portion of the Bernal Property, on April 28, 2000, the PUC issued an amended Request for Qualifications and Bids (RFQ/B) to invite 11 qualified bidders (one of the 12 previously qualified bidders dropped out) to submit bids to purchase the entire 500 acres of Bernal Property. Mr. Malamut reports that the PUC received three qualified bids and, on May 23, 2000, invited these three qualified bidders to submit their best and final bids to purchase the Bernal Property. Attachment 1, provided by Mr. Malamut, identifies the criteria that the PUC used for the selection process, the three qualified bidders and the amounts bid. Mr. Charles Sullivan of the City Attorney's Office advises that GHC Bernal Investors was determined to be the most qualified bidder by the PUC based on the established criteria and the highest immediate purchase price. Mr. Sullivan notes that the other two bidders included more speculative options with greater risk that the additional funds would not be received. On May 30, 2000, the PUC received the final bids, discussed in open session and selected GHC Bernal Investors, LLC, based in San Jose, as the highest qualified bidder in the amount of $126,288,800.

4. The Budget Analyst notes that the PUC has been working with the City of Pleasanton since approximately 1986, or over 14 years, to obtain development rights (known as land use entitlements) to build a mixed-use development on the approximately 500 acre Bernal Property. Mr. Malamut of the City Attorney's Office has advised the Budget Analyst that it is the intent of the developer, GHC Bernal Investors, LLC, to secure the City of Pleasanton's approval of the land use entitlements prior to exercising the proposed Option Contract. Alternatively, the developer can decide not to exercise the proposed Option Contract, and forfeit the $250,000 initial deposit. The Budget Analyst questions how the proposed developer, GHC Bernal Investors, LLC, would be able to secure approval of such land use entitlements from the

City of Pleasanton within the stipulated deadline of approximately two months, or by the end of September of 2000, when the proposed Option Contract would need to be exercised, recognizing that the PUC has been unable to secure such approvals from the City of Pleasanton for over 14 years.

5. Mr. Malamut advises that the PUC previously intended to develop the subject Bernal Property to include approximately 1,900 homes, 750,000 square feet of commercial and office space and a golf course. According to Mr. Malamut, the PUC has received approval of a certified Environmental Impact Report (EIR) (approved August 1, 1996), a Development Agreement, a Specific Plan and a Zoning Agreement from Alameda County for the subject Bernal Property. Mr. Malamut advises that the PUC on February 15, 2000 also received approval of a certified EIR from the City of Pleasanton, but did not receive any additional land entitlement agreements from the City of Pleasanton. According to Mr. Malamut, these Alameda County and City of Pleasanton approvals would be transferable from the PUC to the proposed developer, GHC Bernal Investors, LLC.

In addition, Mr. Malamut advises that under the proposed developer's plans, a maximum of 500 homes (instead of the City's intended 1,900 homes) and 750,000 square feet of commercial and office space would be constructed, but excluding the originally intended golf course. Mr. Sullivan advises that under the proposed arrangements, the developer, GHC Bernal Investors LLC, apparently intends to develop only approximately 120 acres of the subject site and to donate the remaining 380 acres to the City of Pleasanton at no cost, in exchange for Pleasanton's approval of the proposed development. Mr. Sullivan advises that the proposed Option Contract does not require GHC Bernal Investors to donate any land to the City of Pleasanton. Neither the PUC nor the City Attorney's Office could provide an estimate of the fair market value of the site to be donated to the City of Pleasanton. The Budget Analyst notes that based on the proposed purchase price of $126,288,800 and the potentially intended development of only 120 acres of land by GHC Bernal Investors, the developer would actually pay an average of $1,052,407 per acre of developable land.

6. As shown in Attachment 2, provided by the PUC, from approximately June of 1988 through the end of FY 1999-2000, the PUC has spent $8,844,046 on this Bernal Property development project. Mr. Carlos Jacobo of the PUC reports that Water Department revenues were used to pay for these expenses.

7. As previously noted, under the proposed Option Contract, GHC Bernal Investors LLC would pay the City $126,288,800, approximately $252,578 per acre for the proposed 500 acres of Property. GHC Bernal Investors LLC would also be required to pay an additional $3,400,000 for school credits, or a total of $129,688,800 to the PUC. As noted above, the PUC received approximately $571,429 per acre, or 126 percent more than the proposed purchase price per acre, for approximately an 11.2 acre site sold to the Pleasanton School District last year. Although Mr. Sullivan advises that the City has not conducted an independent appraisal of the subject Bernal Property, Mr. Sullivan reports that an earlier preliminary draft analysis by an independent appraiser had valued the entire 500 acres of the Bernal Property at approximately $70 - $75 million, or $140,000 to $150,000 per acre without the land use entitlement approvals from the City of Pleasanton. Furthermore, Mr. Sullivan advises that the PUC is not required to undertake an appraisal of the property, if an approved competitive bid process is completed, as was the case for the subject property.

8. According to the proposed Option Contract, the developer had 30 days after the execution of the Option Contract to investigate the physical condition of the property, including the soils condition and the presence or absence of any hazardous materials. Mr. Sullivan advises that the Option Contract was executed by the PUC on June 7, 2000 and that the 30-day period has now expired. The developer, GHC Bernal Investors LLC, has now accepted the environmental condition of the Property. Furthermore, Mr. Sullivan advises that the PUC is selling the Property "as is", and the developer has released the PUC from any claims relating to the Property under the proposed Option Contract.

9. Mr. Malamut advises that the PUC currently supplies water from wells located on the Bernal Property through underground pipes to the nearby Castlewood Country Club. Under the proposed Option Contract, Mr. Malamut advises that the PUC will retain all water rights to the Property and would retain an easement across the Bernal Property where the existing water lines are located, at no cost to the City.

10. In addition, Mr. Malamut advises that, under the proposed Option Contract, the City will not sell to the developer, but will instead retain an approximately three-acre parcel of land, not part of the 500-acre Bernal Property, that is immediately north of Bernal Avenue. According to Mr. Malamut, this three-acre parcel is not contiguous with the rest of the property, and is directly adjacent to the Pleasanton Civic Center. Mr. Malamut advises that the PUC has not yet determined the use or disposition of this three-acre parcel.

11. According to Mr. Phil Arnold of the PUC, the proposed $129,688,800 of funds to be received from the developer under the proposed Option Contract would be deposited into the Water Department's Enterprise Fund. Mr. Arnold advises that expenditure of such one-time revenues would be subject to future Board of Supervisors appropriation approval.

12. As previously noted, the proposed resolution would approve an Option Contract for the sale of the entire approximately 500 acres of the Bernal Property in Alameda County, adjacent to the City of Pleasanton, to GHC Bernal Investors, LLC for the purchase price of $126,288,800, or $252,578 per acre. The Budget Analyst summarizes the following issues regarding this resolution:

- In April of 1999, the City sold 11.2 acres of adjacent property to the Pleasanton Unified School District for $3,000,000 cash and $3,400,000 in transferable school fee credits, a total of $6,400,000, or approximately $571,429 per acre, which is 126 percent more than the proposed purchase price of $252,578 per acre.

- An appraisal of the subject Bernal Property has not been conducted by the PUC. Such an appraisal could be conducted but according to the City Attorney's Office, an appraisal is not required if an approved competitive bid process has been completed.
- GHC Bernal Investors will pay the PUC the full face value of $3,400,000 for the school fee credits, when needed by GHC Bernal Investors for development, in addition to the purchase price of $126,288,800.
- According to the PUC, the PUC received three qualified bids for the subject Property and selected GHC Bernal Investors because they were determined to be the highest qualified bid.
- The PUC has been working with the City of Pleasanton for over 14 years to obtain land use entitlements for the subject Bernal Property, and has not been successful in obtaining such approvals.
- The PUC has documented $8,844,046 of expenditures for consultants, attorneys and staff from Water Department Revenues on the Bernal Property project from June of 1988 through FY 1999-2000.
- The City has received a non-refundable $250,000 initial deposit from GHC Bernal Investors for this Option Contract.
- GHC Bernal Investors apparently intends to develop only approximately 120 acres of the Property and to donate the remaining 380 acres to the City of Pleasanton at no cost, resulting in a purchase price of $1,052,407 per developable acre of land.
- The total $129,688,800 of funds to be received under the proposed Option Contract would be deposited into the Water Department's Enterprise Fund, subject to future Board of Supervisors appropriation approval.

Recommendation: Approval of the proposed resolution is a policy matter for the Board of Supervisors.

H. M. R.

Harvey M. Rose

Supervisor Yee
Supervisor Bierman
President Ammiano
Clerk of the Board
Controller
Steve Kawa

CITY AND COUNTY OF SAN FRANCISCO

OFFICE OF THE CITY ATTORNEY

LOUISE H. RENNE
City Attorney

JOHN D. MALAMUT
Deputy City Attorney

DIRECT DIAL: (415) 554-4622
E-MAIL: john_malamut@ci.sf.ca.us

TO: Debra Newman, Budget Analyst's Office

FROM: John D. Malamut
Deputy City Attorney

DATE: July 20, 2000

RE: **Bernal Property Option Contract for Sale**

You have asked for the selection criteria that the Public Utilities Commission relied upon at its May 31, 2000 hearing to make its selection of the highest qualified bidder to purchase the Bernal Property. The criteria, listed in Section 4 of the 6th amendment to the Bernal Property RFP/RFQ, were as follows:

1. The bidder's proposed initial cash payment for the Bernal Property, which shall be not less than $100 million.

2. The bidder's proposal for additional payment to San Francisco. These may be specified amounts on specified dates after the date of close or they may be tied to particular development activities. If the proposal includes post-closing payments, the bidder should specify the proposed security interest that will be posted or otherwise provided for the benefit of san Francisco and furnish a draft copy of such instrument.

3. The bidder's plan and ability to negotiate with Pleasanton for entitlement that would enable the bidder to successfully exercise the option by the option exercise date and thereafter close the purchase and sale of the Bernal property. the Commission will consider: (a) the bidder's development experience in large projects valued at more than $25 million, with a focus on projects located in Alameda County and the City of Pleasanton; (b) a brief summary of the bidder's plan for negotiations with Pleasanton for the entitlement of the Bernal Property; and (c) the bidder's sources of funds to be used to close the purchase and sale of the Bernal Property.

After qualifying three development teams based on the initial submissions, the PUC asked these qualified bidders to submit best and final bids. The received bids were as follows (listed in no particular order):

a. GHC Bernal Investors, LLC (Greenbriar Homes Communities, Inc): offer was $126,288,800 initial cash payment.

b. Lake Herman Investors (comprised of Signature Properties and Shappell Industries of Northern California): offer was $123,000,000 initial cash payment, plus 30% of any increased value over the Base Purchase Price ($123 m). This additional payment was to be based on an appraisal formula that would be performed after the developer obtained certain vested development rights from Pleasanton. Essentially, if the appraisal resulted in a value greater than $123 m, CCSF would get 30% of the increased value. If however, the value was $123 million or less there would be no additional payments. The bidder did not propose any form of security for these additional payments.

TO:	Debra Newman, Budget Analyst's Office
DATE:	July 20, 2000
PAGE:	2
RE:	**Bernal Property Option Contract for Sale**

c. Pleasanton Park Partners (comprised of Suncrest Homes, Inc., Ponderosa Homes II, Inc. and Keenan Land Company, LLC): this group presented two offers: Offer A - $125,000,000 initial cash payment. Offer B - exercise the $2 million option immediately (it was required on or before September 29, 2000), extend the period to close the sale transactions an additional 13 months beyond October 31, 2000 and at that time pay a initial cash payment of $130,000,000 (minus the $250,000 deposit and $2 million option payment).

I have attached to this memorandum the 6th Amendment to the Bernal Property RFQ/RFB and a letter from the Mayor of the City of Pleasanton to Mayor Brown concerning the 6th amendment. If you have any further question, please do not hesitate to contact me.

Attachment 2

ATTACHMENT

BERNAL PROPERTY
EXPENDITURES
(through 1999-00)

Consultants			**Expenditures**
1. The Planning Collaborative Prime consultant land planning, engineering, environmental & economic professional services		$4,304,033	
2. Wendel, Rosen, Black & Dean Real estate negotiations & Property Disposition		1,150,252	
	Consultant subtotal		5,454,285
City Attorney			
1. Costs incurred thru FY 99-00			2,484,988
Project Manager			
1. Pre-1995		138,000	
2. 1995-to present		450,000	
	Project Manager subtotal		588,000
Alameda County			
1. Development Application Processing Costs			225,000
		Subtotal all	8,752,273
Estimated to Complete			91,773
		Total	$ 8,844,046

bernal 7/20/00 4:04 PM

City and County of San Francisco
Meeting Minutes
Finance and Labor Committee

Members: Supervisors Leland Yee, Sue Bierman, Tom Ammiano

Clerk: Mary Red

Wednesday, August 02, 2000 **10:00 AM** **City Hall, Room 263**

Regular Meeting

Members Present: Leland Y. Yee, Sue Bierman, Tom Ammiano.

Meeting Convened

The meeting convened at 10:10 a.m.

000985 **[Approving a four-year contract with S.F. Water Alliance to provide Program Management Services for PUC Capital Improvement Program]**

Resolution approving the Public Utilities Commission Program Management Services contract with the San Francisco Water Alliance. (Public Utilities Commission)

5/24/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

7/19/00, CONTINUED. Heard in Committee. Speakers: Supervisor Ammiano; Ken Bruce, Budget Analyst's Office; Supervisor Yee; Larry Klein, Acting General Manager, Public Utilities Commission (PUC); Mike Quan, Utilities Engineering Bureau, PUC; Harvey Rose, Budget Analyst; Victor Macros, Vice President, PUC Commission; Ed Richardson, Bechtel Corporation; John Kluesener, Project Manager, Bechtel Corporation; Ted Lakey, Deputy City Attorney. Opposed: David Novogrodsky, Local 21; Jim Buker, Department Public Works; Jeff Sheehy; Victor Menotti, International Forum; Antonio Diaz, P.O.D.E.R.; Chris Daly, Mission Aganda; Daja Bowler; Peter Warfield.
Continued to August 2, 2000.

Heard in Committee. Speakers: Ken Bruce, Budget Analyst's Office; Edward Hines, Public Utilities Commission.
Continued to August 23, 2000.
CONTINUED by the following vote:
Ayes: 3 - Yee, Bierman, Ammiano

000852 [Library and Friends and Foundation Agreement]

Supervisor Kaufman

Ordinance approving a Memorandum of Understanding, dated as of July 1, 1999, between the San Francisco Public Library and the Friends and Foundation of the San Francisco Public Library ("Friends and Foundation") for use of space in the Main Library building for the performance of library-related services, generation of revenues for library department purposes, and assurance of private funds to provide support on an ongoing basis for the San Francisco Public Library System; amending Article XIII, Chapter 10, Part I of the San Francisco Municipal Code ("Administrative Code") by adding Section 10.116-6 thereto, authorizing the City Librarian, or his or her designee, to accept and expend any individual gifts from the Friends and Foundation of a value of $25,000 or less; and authorizing and approving certain agreements to be made between the City and the Friends and Foundation as contemplated by such MOU, including a lease of office and gift store space and an agreement giving the Friends and Foundation the right to manage the meeting rooms, auditorium and other space for private functions and special events and to charge fees for such uses. (Public Library)

(Fiscal impact.)

5/8/00, RECEIVED AND ASSIGNED to Finance and Labor Committee

5/22/00, SUBSTITUTED. Submitted by Supervisor Kaufman

5/22/00, RECEIVED AND ASSIGNED to Finance and Labor Committee

7/19/00, CONTINUED. Heard in Committee. Speakers: Harvey Rose, Budget Analyst, Susan Hilldreth, Acting City Librarian, Supervisor Yee, Kate Petrucione, Aide to Supervisor Kaufman, Supervisor Bierman. Oppose: James Chaffey, Daja Bowler, Eamestine Weiss, Peter Warfield, Ms. Simpson, Gray Panthers
Continued to August 2, 2000

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Supervisor Yee, Susan Hildreth, Acting City Librarian, Supervisor Ammiano, Andre Spearman, Local 790; Jim Sutton, Friends and Foundation Board Member; Barbara Berman, Michael Housh, Library Commission Secretary, Chuck Forrester, Acting Executive Officer, Friends of Library, Debra Doyle, Richard, Supervisor Bierman. Opposed: James Chaffey, Peter Warfield, Daja Bowler.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001229 [Police Code - Penalties for Non-compliance with Orders of the Port Commission]

Ordinance amending Article 23, of the San Francisco Municipal Code (Police Code), by amending Article 23, Regulation for Port Area, Section 1612, non-compliance with orders of the Commission as misdemeanor to allow violations to be charged either as a misdemeanor or an infraction with monetary fines. (Port)

(Amends Article 23, Section 1612.)

6/28/00, RECEIVED AND ASSIGNED to Finance and Labor Committee

Heard in Committee. Speakers: Harvey Rose, Budget Analyst, Veronica Sanchez, Port of San Francisco

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001254 [Prop J, Contracting out Airport Information Booth Services]

Resolution approving the Controller's certification that Airport Information Booth Services can practically be performed by private contractor at a lower cost than if work were performed by City and County employees at presently budgeted levels. (Airport Commission)

7/7/00, RECEIVED AND ASSIGNED to Finance and Labor Committee

Heard in Committee. Speakers: Harvey Rose, Budget Analyst, Jon Ballesteros, Airport

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001289 [Lease of Property at 10th and Bryant Street]

Resolution authorizing the lease of real property at 10th and Bryant Street for the Department of Parking and Traffic. (Real Estate Department)

7/12/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Tony DeLucchi, Real Estate Department.

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001298 [Post Street Towers Multifamily Housing Revenue Refunding Bonds]

Resolution authorizing the issuance and delivery of Multifamily Housing Revenue Bonds (as defined herein) in an aggregate principal amount not to exceed $17,000,000 for the purpose of refunding Bonds previously issued to provide financing for a Multifamily Rental Housing Project; authorizing the sale of the Bonds; approving the form of and authorizing the execution of an indenture providing the terms and conditions of the Bonds; approving the form of and authorizing the execution of the Bond purchase agreement providing the terms and conditions for the sale of the Bonds; approving the form of and authorizing the execution of an amended and restated regulatory agreement and declaration of restrictive covenants; approving the form of and authorizing the execution of a financing agreement; approving the form of and authorizing the execution of a remarketing agreement; approving the form of and authorizing the preparation and distribution of a preliminary official statement and the preparation, execution and distribution of an official statement relating to the Bonds; approving the form of and authorizing the execution of an intercreditor agreement; approving and authorizing the execution and delivery of any document necessary to implement this Resolution; ratifying and approving any action heretofore taken in connection with the Bonds, the project and the refunding of the prior Bonds; and related matters. (Mayor)

7/12/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Joe LaTorre, Mayor's Office of Housing; Supervisor Bierman; Supervisor Ammiano.

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001325 [Violence Against Prostitutes]

Supervisor Ammiano

Hearing to inquire into the social etiology of violence perpetrated against prostitutes and strategies to mitigate such violence.

7/17/00, RECEIVED AND ASSIGNED to Finance and Labor Committee. Sponsor requests this item be scheduled for consideration at the August 2, 2000 meeting.

Heard in Committee. Speakers: Supervisor Ammiano; Rachel West, U.S. Prostitutes Collective; Chandra Redack, Crossroad Women's Center; Ms. Reed; Autumn Burris, SAGE Project; Mary Dunlap, Director, Office of Citizen's Complaint, Police Department; Norma Hotaling, Director, SAGE; John Andriotti; Jane Martin, Shotwell Street Association; Richard TeriKock, National Lawyers Guild; Betty Traynor; Josan; Sonia Melara, Executive Director, Commission on the Status of Women; Victoria Schneider, W.H.O.R.E.; Glenda Hope, SafeHouse for Women; Lori Nairne, Legal Action for Women; Susan Mortel; Rebecca Young, Criminal Attorney; Ruth Todasco, Women in Dialogue; Niki Adams, International Prostitutes Collective, England; Linda Klee, District Attorney's Office; Marianne Barrett, District Attorney's Office; Inspector Ed DelCarlo, Vice Crimes, Police Department; Betty Richs, Program Director, Promise; Raymond Barren; Chris Daly, Mission Agenda; Agnes Mercurio, SAGE; Tortuga Bi Liberty, Senior Unlimited Nudes; Lori McCormick, SAGE; Jeff Bell, Man-A-Live; Sveelana Plvchik, SAGE; Bobbi Sellars; George Williams; Supervisor Bierman.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

ADJOURNMENT

The meeting adjourned at 12:47 p.m

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

July 27, 2000

TO: Finance and Labor Committee

FROM: Budget Analyst

SUBJECT: August 2, 2000 Finance and Labor Committee Meeting

Item 1 - File 00-0985

Note: This item was continued by the Finance and Labor Committee at its meeting of July 19, 2000. Since that time, the PUC has provided the Budget Analyst with an amended proposed contract to address the concerns of the Finance and Labor Committee. This report is based on that amended contract. The Budget Analyst notes that the Public Utilities Commission has not, as of the writing of this report, formally approved the amended contract.

Department: Public Utilities Commission (PUC)

Item: Resolution approving the Public Utilities Commission Program Management Services Contract with the San Francisco Water Alliance, a joint venture of Bechtel Infrastructure Corporation, The Jefferson Company, and Sverdrup Civil, Inc.

Amount: Up to $45,000,000 over four years. According to Mr. Michael Quan of the PUC, this maximum contract amount comprises an estimated (a) $8,000,000 for Contract Year 1, (b) $14,000,000 for Contract Year 2, (c) $12,000,000 for Contract Year 3, and (d) $11,000,000 for Contract Year 4.

According to Mr. Manfred Wong of the PUC, the amount of $45,000,000 was initially approved by the PUC Commissioners on the basis of an estimated cost of $15,000,000 for each of three main categories of work to be performed by the Contractor over the term of the subject contract. Revised estimates for the relative proportions of estimated costs of each of these categories of work, based on the data contained in Attachment I (provided by the San Francisco Water Alliance and the PUC) and summarized under "Proposed Contractor Remuneration" below, are as follows:

(1) The Program Management Office, which would provide services to structure, direct, and implement the program and to train PUC staff, is estimated to cost approximately $22,000,000, or approximately 48.9 percent of the maximum contract cost over the four year contract term.

(2) Project and construction management services and technical support services are estimated to cost approximately $23,000,000 or approximately 51.1 percent of the maximum contract cost over the four year contract term.

The Budget Analyst notes that these proportions represent a significant change from prior information provided by the PUC. Whereas the Program Management Office function was initially estimated to be approximately 33 percent of the total maximum Contractor remuneration, it is now estimated to be approximately 48.9 percent even though the PUC retains total program management responsibility and does not share that responsibility with the Contractor, as originally envisaged. Project and construction management services and technical support services, which were initially estimated to be approximately 67 percent of the total maximum Contractor remuneration, are now estimated to have reduced to approximately 51.1 percent even though the PUC cites its need for technical expertise as one of the key reasons for the subject contract.

Source of Funds: Mr. Wong states that the PUC expects to fund the subject contract through existing bonds[1], operating revenues, and future bond proceeds, progressively securing funding as the capital improvement program proceeds. Mr. Wong states that if future bond funding for the proposed capital improvement program is not approved by the voters or funding for the capital improvement program is not appropriated by the Board of Supervisors, the Contractor would not be requested or paid to perform program management services. According to Mr. Wong, the PUC believes that over the course of the four year contract term, the maximum $45,000,000 cost of the Contractor would be more than offset by the anticipated $138,000,000 savings generated by the Contractor. The estimated savings of $138,000,000 are based on savings of 10 percent for the estimated $1,380,000,000 cost of the first four years of the capital improvement program. The $1,380,000,000 total cost estimate was prepared by PUC staff in 1998 and has not been reviewed or adjusted since. A new estimate will be included in the anticipated November of 2000 draft of a new ten year capital improvement plan, according to PUC staff.

Description: Under the subject contract, the proposed Contractor would provide program management services to the PUC to organize and implement its capital improvement program by:

- Providing specialized expertise in the management of very large capital programs.
- Improving the PUC's engineering and construction operations by developing program management and control plans, systems, tools, and reports.
- Providing personnel for workload peaks (except on detailed design work).
- Designing a PUC staff development program.
- Developing a public information program.
- Assisting disadvantaged business enterprises.

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[1] In November of 1997, San Francisco voters approved $304,000,000 in Water Revenue Bonds. The PUC can also utilize $238,000,000 remaining available funds from bonds issued in 1991, 1992, and 1996 for the replacement of existing facilities and for compliance with Federal and State law. Mr. Wong advises, however, that funding beyond these approved amounts, which total $542,000,000, is uncertain.

The Budget Analyst's previous report indicated, based on information provided in the PUC's RFP, that identification of new funding sources for the capital improvement program would be one of the tasks to be performed by the Contractor. In response to a specific question raised by the Finance and Labor Committee about this proposed Contractor role, PUC staff now advise that identification of new financing sources is not a task required by the subject contract. Instead, this work will be done by PUC staff. PUC staff note that (a) the PUC's Assistant General Manager for Finance and Administration has almost 20 years of financing experience, (b) the PUC has issued a RFP for contractual financial advisory services (in addition to the subject $45,000,000 San Francisco Water Alliance contract), and (c) the PUC's Finance Bureau is being reorganized to increase its financial planning and debt administration capacity.

In response to a specific question raised by the Finance and Labor Committee about the Contractor's involvement in developing a public information program, PUC staff advise that existing PUC staff would provide the bulk of the public information program effort. However, because the capital improvement program involves planning and construction work in a number of widely dispersed counties, PUC staff believe they will need assistance with public meetings, community outreach, informational materials, and media relations. PUC staff state that when special skills or staff augmentation is required, the Contractor would provide as-needed support services to the PUC's communications staff as part of the subject $45,000,000 contract.

With regard to assisting disadvantaged business enterprises, program participation goals of 30 percent minority-owned business enterprise (MBE) participation and 10 percent women-owned business enterprise (WBE) participation would apply to the first year of the subject contract. In response to a specific question raised by the Finance and Labor Committee about how the subject contract's MBE/WBE goals were determined, PUC staff advise that these goals were established in accordance with City regulations, practices, and procedures. According to information provided by Mr. Quan, the Contractor's actual

MBE/WBE participation rate would be in excess of the minimum first year requirements. In addition, the Public Utilities Commission required, with the concurrence of the Human Rights Commission, that MBE program participation goals would increase 2 percent annually and WBE participation would increase 1 percent annually. The MBE and WBE subcontractors which are part of the San Francisco Water Alliance are listed in appendices to the subject contract.

Background: In February of 1998, the PUC published a draft of its long-term water enterprise capital improvement plan. The plan proposed a 12 year capital improvement program comprising approximately 200 water projects for a total cost of approximately $3,500,000,000 to (a) upgrade the water system infrastructure, (b) respond to increasing service demands, and (c) fulfil new regulatory requirements.

Having undertaken initial program planning, the PUC proposed contracting out the program management of the capital improvement program. The initial concept was for a ten year program management services contract (renegotiable every four years). Under that proposed contract, a chief program management contractor would report directly to the PUC Commissioners and contractor staff would provide long term assistance to PUC's Utilities Engineering Bureau (UEB) staff with a senior consultant team reporting to the UEB Manager. The proposed concept for the integration of PUC and contractor staff was that they would share decision-making responsibilities and would share the program risks.

Following PUC staff members' December 15, 1998 presentation to the Commission on the proposed capital improvement program, the Commission authorized the drafting of a Request for Proposals (RFP). As part of the RFP drafting process, in February of 1999 the PUC consulted with the International Federation of Professional and Technical Engineers (IFPTE) Local 21, AFL-CIO. In March of 1999, the IFPTE sought an injunction against the subject contract on the grounds that (a) Section 10.104 of the City Charter prevents contracts with private companies for

program management services until the Controller and the Board of Supervisors have determined that such work can performed under private contract at a lower cost, and (b) its members would be unlawfully deprived of public sector work they could competently perform at a lower cost. On March 13, 2000 the San Francisco County Superior Court issued a summary judgement in favor of the PUC and against the IFPTE on the grounds that Charter Section 10.104 did not apply and hiring a program management contractor was justified by (a) the urgent need for the capital improvement program, (b) the PUC's need for specialized expertise over and above its commitment to hire more engineering staff, (c) the temporary nature of the program management contractor's services, (d) the PUC's potential need for engineering assistance to staff temporary peak workloads, (e) the speculative nature of the IFPTE's claim that there would be duplication or displacement of PUC staff, and (f) the Civil Service Commission's approval of the subject contract on June 4, 1999. According to Ms. Linda Ross of the City Attorney's Office, the IFPTE has subsequently filed a Notice of Appeal. As of the writing of this report, the Budget Analyst has no further information on the status of this appeal.

During the lawsuit, negotiations between the PUC and the IFPTE significantly scaled down the subject contract's original concept. The RFP, as advertised in July of 1999, was for a four year contract not to exceed $45,000,000 (depending on availability of funding), in which as-needed contractor staff would report to UEB managers. There would be no direct reporting line to the PUC Commissioners, PUC management would retain full decision-making responsibilities, and contractor staff would not directly supervise City employees.

Four private firms and joint ventures submitted bids on September 15, 1999. These were:

- San Francisco Water Alliance, a joint venture of (1) Bechtel Infrastructure Corporation, (2) The Jefferson Company, and (3) Sverdrup Civil, Inc., in association with (a) Olivia Chen Consultants, Inc., (b) Carollo Engineers,

(c) Raines, Melton & Carella, Inc., (d) Cooper Pugeda Management Inc., (e) Greg Roja and Associates, Inc., (f) Whitted Dawson Associates, Inc., and (g) Orion Environmental Associates.

- The H_2O Partnership, a joint venture between (1) O'Brien-Krietzberg Associates, (2) CH2M HILL, and (3) EPC Consultants, Inc, in association with (a) Cornerstone Concilium, Inc., (b) DAJA, Inc., (c) Mendoza and Associates, (d) Saylor Consulting Group, (e) JFW Consultants, (f) Pendergast & Associates, (g) Butler Enterprise Group, (h) Micro Search Environmental, (i) Ocampo-Esta Corporation, and (j) Cervantes Design Associates.
- San Francisco Water Associates, a joint venture between Parsons Infrastructure and Technology Group Inc., AGS Inc., and Don Todd Associates, Inc., in association with 11 subcontractors.
- Montgomery Watson Americas, Inc., in association with 27 subcontractors.

A team of City staff comprising Ms. Virigina Harmon of the Human Rights Commission, Mr. Bill Keany of the PUC, Mr. Paul Mazza of the PUC, Mr. Quan, and Mr. Wong reviewed all four proposers by means of client site visits during November and December of 1999. A four member expert evaluation panel then interviewed the four proposers and scored each of them against the criteria set out in the RFP (as shown in Attachment II). This evaluation panel consisted of Dr. Johnnie Clark, a financial consultant, Ms. Margaret Leporte, representing the Bay Area Water Users Association, Ms. Raynetta Grant, a local government water utility engineering manager, and Mr. Kevin Lyons of the PUC. The evaluation team scored the H_2O Partnership proposal highest (with a score of 2,780[2]) and the San Francisco Water Alliance second highest (with a score of 2,700). Montgomery Watson Americas, Inc. scored 2,480, while San Francisco Water Associates scored 2,460. The PUC Commissioners interviewed the top two scoring joint ventures at a public

[2] Scores are calculated by multiplying the qualitative score for each one of the six criteria by the respective weight to obtain the weighted score for each of the criteria. For example, the weight for Criterion 6 (Understanding of SFPUC Program) is 10; therefore, a qualitative score of 5 will translate into a weighted score of 50 for an individual evaluator.

meeting on April 7, 2000, and indicated a preference for the San Francisco Water Alliance, subject to successful negotiations over contract costs. No reason was given as to why the Commissioners gave first preference to the San Francisco Water Alliance which had previously received a lower score from the expert evaluation panel than the H_2O Partnership. On May 10, 2000, the PUC awarded the proposed contract to the San Francisco Water Alliance subject to final contract negotiation and approval of the Board of Supervisors.

Initial consideration of the subject contract by the Finance and Labor Committee at its July 19, 2000 meeting resulted in the PUC requesting a two week continuance to negotiate (a) performance measures for inclusion in the subject contract, and (b) greater Board of Supervisors oversight. Successful negotiations between the PUC and the San Francisco Water Alliance have resulted in agreed performance measures (see Comment No. 2) and provision for annual Board of Supervisors approval to renew the subject contract (see "Terms of the Subject Contract" below). The PUC has also provided responses to other specific questions raised by the Finance and Labor Committee. These responses have been incorporated into the text of this report, while the PUC's written responses are included in Attachment IX (see Comment No. 18).

The Public Utilities Commission has not yet approved the amended contract. According to Mr. Wong, Commission consideration of the amended contract is scheduled to happen after Board of Supervisors consideration of the subject resolution.

Terms of the Subject Contract: Key contractual terms and conditions are as follows:

- The City can, at its sole discretion, terminate the subject contract at any time. In response to a specific question raised by the Finance and Labor Committee about this provision, PUC staff advise that a termination for convenience right permits the City to terminate the contract at any time during its term, for convenience and

without cause. The City can exercise this option by giving the Contractor written notice of the effective termination date. The subject contract does not mandate advance notice of any predetermined length of time. Contractor invoices for work undertaken up to the specified termination date would have to be submitted to the City no later than 30 days after that date.

- The City has no obligation to fund the subject contract in lieu of funding other contracts.
- The subject contract can only be extended beyond the initial term of four years with the Civil Service Commission's approval[3].
- The PUC controls the Contractor's role and assignments in terms of an annual implementation plan based, in part, on an annual performance review jointly conducted by the PUC and the Contractor. As a result of the annual review and the annual implementation plan, the City and the Contractor would determine the contractor staffing required during the next 12 months and the necessary contract budget.
- Contractor and City staff would share City office space[4] and work in combined teams under PUC managers.
- Existing City staff would be used to the fullest extent. City engineers (or third party contractors) are the Engineers of Record[5] and construction managers for all capital improvement projects. The Contractor obtains written authorization from the City before (a) adding staff or subcontractors to its team, or (b) supplying personnel to provide expert services or to handle workload peaks.
- The Contractor trains PUC personnel in systems, techniques, or technology used by the Contractor.

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[3] In the opinion of Ms. Ross, any extended contract would require (a) separate Civil Service Commission authorization, and (b) Board of Supervisors approval if the extended contract would cost the City more than $10,000,000.

[4] According to Ms. Wendy Iwata of the PUC, the PUC plans to spend approximately $300,000 in FY 2000-01 to renovate City office space for contractor staff.

[5] The "engineer of record" is a State requirement that a certified engineer be legally responsible for approving the design of a structure so that it is safe for public occupancy. The engineer of record assumes liability for the design for both the duration of the contract and for the subsequent warranty period. While the proposed contract does not allow the Contractor to assume this role, it would permit the Contractor to provide preliminary or conceptual engineering services and prepare schematic drawings to the extent necessary to define upcoming capital projects.

- The Contractor assigns a core team of experienced individuals (named in the subject contract's appendices) for the duration of the contract. Replacements for key personnel are subject to the City's agreement.
- The Contractor's performance is subject to third party audit[6].
- The Contractor reports monthly to the PUC on its performance.
- To prevent conflicts of interest, the Contractor and its subcontractors cannot bid on PUC design proposals or construction contracts during the term of the subject contract.
- The Contractor is an independent consultant fully liable for its acts and omissions. In response to a specific question raised by the Finance and Labor Committee about this provision, PUC staff advise that, under the subject contract, the Contractor has full liability for its subcontractors.
- During disputes, the Contractor and subcontractors waive all rights to discontinue services or seek any relief which would stop or delay the progress of capital improvement projects.

The subject contract would have a maximum four year term. Within that term, the Controller would be required each year to certify the availability of funds for the subject contract. Under the amended terms of the subject contact, such certification would depend upon annual Board of Supervisors approval to continue the subject contract. Board of Supervisors approval would, in large part, depend upon objective evidence, provided by the PUC and verified by an independent audit performed by the Controller, that the Contractor had performed successfully against negotiated performance measures. In the event that the Board of Supervisors disapproves continuation, the contract would terminate with no liability on the part of the City. In the event that the Board of Supervisors does not act to disapprove continuation of the subject contract (provided the PUC has submitted the necessary performance reports in a timely fashion), the subject contract would continue.

[6] According to Mr. Wong, the PUC is in discussions with the City Controller's Office about the Controller's involvement in such audits.

Proposed Contractor Remuneration: Within an upper cap of $45,000,000 over four years, under the subject contract the PUC would pay the Contractor through a combination of (a) direct salary costs (not including fringe benefits), (b) overhead costs (including fringe benefits), (c) a combination of fixed and performance fees, (d) administrative fees, and (e) other direct charges. Attachment I, provided by the San Francisco Water Alliance and the PUC in response to a specific Finance and Labor Committee request for an estimated break-down of the $45,000,000 budget into these five remuneration categories, shows a break-down of the $45,000,000 into the four categories shown in the Table below (direct salary costs and other direct costs are combined). The PUC notes that the remuneration to the Contractor shown below could change depending on funding availability and the capital improvement projects actually undertaken.

	Category 1: Direct Salary, Overhead, Multiplier, and Other Direct Costs	Category 2: Fixed Fee	Category 3: Maximum Performance Fee	Category 4: Subcontractor Administrative Fee	Maximum Total
Program Management Office	$19,590,000	1,240,610	847,830	177,230	21,855,670
Project and Construction Management Services, and Technical Support Services	20,650,000	1,349,390	922,170	192,770	23,114,330
TOTAL:	$40,240,000	$2,590,000	$1,770,000	$370,000	$44,970,000

At a maximum cap of $45,000,000, the estimated 412,435 hours of Contractor work, as shown in Attachment I, would represent approximately $109 per hour. Due to the lack of a PUC staffing projection for the capital improvement program

(see Comments No. 8 and 9), it is not possible to compare this hourly rate with the hourly rate of using City employees instead.

(a) Direct salary costs: Under the subject contract, direct salary costs would be limited to the actual salaries of the Contractor's project managers and technical staff. Charges for home office staff such as secretaries, clerks, and accountants would be included in the overhead for work charged at the Contractor's offices except those working directly on the project as approved and budgeted by PUC project managers in the relevant task order. The subject contract specifies the direct hourly rate for key individual contractor staff (ranging in Contract Year 1 between $30.00 to $76.15 per hour without overhead). The billing rate for Contractor staff including overhead, which comprises direct salary plus a multiplier, is capped at $140.00 per hour in the first year (the PUC General Manager can approve exceptions) but can be adjusted in accordance with the Consumer Price Index thereafter. Salary rates can be adjusted annually by the amount of the change in the Consumer Price Index (CPI) for the previous year[7].

(b) Overhead Fees: Before the end of the first year of the subject contract, the Contractor would arrange for an independent audit of the overhead costs applied to direct salary costs. According to Mr. Wong, this audit would be performed by an independent auditor and would be reviewed by the Controller's Office in accordance with the standards of the Code of Federal Acquisition Regulations. Pending this audit, in the first year of the contract (depending on the actual results determined by the audit), provisional overhead fees would range between (a) 125 and 154 percent of direct salary costs for work performed by the prime consultants in their own offices, (b) 78 and 172 percent of direct salary costs for work performed by subcontractors in their own offices, (c) 104 and 115 percent of direct salary costs for work performed by the prime consultants in PUC offices or construction sites.

[7] Adjustments for individual Contractor employees could exceed the maximum CPI movement provided that the total adjustment dollars for Contractor employees dedicated to the subject contract does not exceed the maximum dollars based on the total direct salary paid on the contract for the previous year plus the CPI.

and (d) 113 percent of direct salary costs for work performed by the subcontractors in PUC offices or construction sites. The overhead rates would be adjusted annually, based on the annual audit. However, in no case can the audited overhead rate for any prime consultant or subcontractor exceed (a) 172 percent for work performed in their own offices, or (b) 115 percent for work performed in PUC offices or construction sites (117 percent if payroll tax is included). According to information provided by Mr. Quan, the negotiated overhead rates appear to be comparable with those negotiated for other large public sector capital improvement programs.

(c) Fixed and Performance Fees: In addition to direct salary costs and related overhead fees, the Contractor would also be remunerated on the basis of the "performance/at-risk fee" arrangement outlined in the Table below, depending on the Contractor's achievement of tasks prescribed by the City, each task having a specific scope of work, timeframe, guaranteed maximum cost structure, savings target, and other performance measures. Assuming successful task completion, the Contractor receives a fixed fee as a percentage of the Contractor's contract billing for that task[8]. Assuming partial or complete achievement of the savings target and other performance measures, the Contractor receives some or all of an at-risk performance fee as a percentage of the Contractor's contract billing for that task. The percentage levels for both fixed and performance fees vary by contract year, as shown in the table below:

[8] "Contract billing" comprises just the Contractor's billing for work performed. It includes neither authorized pass-throughs for other direct costs nor the fee amounts paid by the City for subcontractors' invoices.

Contract Year	Fixed Fee as Percentage of Annual Contract Billing	Performance Fee as Percentage of Annual Contract Billing	Maximum Total
1	8.0%	0.0%	8.0%
2	7.0%	4.5%	11.5%
3	6.0%	5.5%	11.5%
4	5.0%	6.5%	11.5%

According to information provided by Mr. Quan, the maximum total annual fee for Contract Years 2 through 4 appears to be at the low end of the range of fees payable to program management services contractors involved in other public sector capital improvement programs.

According to Mr. Wong, the fixed fee component would be paid by the City as invoices are submitted by the Contractor, while the performance fee component would be paid by the City semi-annually. In response to a specific question raised by the Finance and Labor Committee about the PUC's processing of Contractor invoices, PUC staff advise that invoices would be submitted through the normal approval procedure of the PUC's project manager and the PUC's Contracts Administration Section for approval prior to review, approval, and payment by the Controller's Office.

(d) Subcontractor Administrative Fee: The PUC would also pay an administrative fee to the Contractor's joint venture partners of 3 percent of subcontractors' direct salaries plus overhead costs. Mr. Wong states that this administrative fee reimburses the Contractor for some of the administrative costs related to managing a number of Disadvantaged Business Enterprise subcontractors. In response to a specific question raised by the Finance and Labor Committee about determination of the subcontractor administrative fee level, PUC staff advise that the 3 percent rate was determined through negotiation between the PUC and the Contractor and compares favorably to the industry

average of 5 percent for such administrative fees. Five percent is the standard subcontractor administrative rate used in other City contracts, according to PUC staff.

(e) Other Direct Charges: In response to a specific question raised by the Finance and Labor Committee about other direct charges, PUC staff advise that all other direct charges incurred by the Contractor would be approved in advance by the Manager of the UEB if they are in conformance with the Code of Federal Acquisition Regulations (the standard applied to City employee expenses), directly related to a project, and consistent with City policies. They would be reimbursed at cost as no mark-ups would be allowed. Such charges would be limited to out-of-town travel, messenger services, specialty printing, specialized software and hardware, and specialized services, materials, and equipment not provided by the PUC. Any equipment purchased through this contract would become the property of the PUC.

Comments: Program Cost Savings

1. UEB staff contend that the subject contract would secure program cost savings by means of economies of scale, program efficiencies, project acceleration, contract negotiation power, increased purchasing power, innovative technology, value engineering[9], and controlled changes to the program's scope and schedule. UEB staff contend that relying on PUC employees to manage the capital improvement program would increase costs because it would lengthen the time taken to complete the program.

Mr. Wong states that program management services contracts' ability to offset costs through savings have been demonstrated internationally. This argument was initially supported only by the anecdotal evidence contained in six highly summarized United States case studies which make up the small sample. The PUC staff's presentation to the PUC Commissioners of three positive examples was

[9] "Value engineering" is the independent overview of a facilities plan, its design criteria, and its conception at no more than 20 percent of design completion, to ascertain how well and cost effectively a plan addresses the engineering problem it is meant to solve.

accompanied by the disclaimer that "Meaningful measurement of cost savings is difficult ... because the benchmark is often not well defined, and most calculations are based on preliminary estimates of program costs made by the program management contractors themselves." Furthermore, the information presented was gathered verbally by PUC staff and is unsupported by audited written documentation. The second three examples represent a selection of public sector program management failures which neither fully evaluate the root causes of the cost overruns associated with those projects, nor explain how a program management consultant would address those problems. For example, the Budget Analyst notes that the cost of the Boston Central Artery Program has been significantly affected by project scope changes, environmental mitigation, and inflation, three factors which could be equally outside of the control of either public or private sector program managers.

To provide further evidence of program cost savings, the PUC has subsequently solicited the following three letters from clients of the proposed contractors about the benefits of capital improvement program management services (the testimony was submitted at the July 19, 2000 Finance and Labor Committee meeting):

- The former Manager of the capital improvement program of the City of Portland, Oregon testified that Sverdrup Civil, Inc. saved that city $45,000,000, or 15 percent, of the first $300,000,000 of projects to eliminate sewer overflows into the Williamette River.
- The former Executive Director of the Santa Clara County Traffic Authority testified that Bechtel Infrastructure Corporation saved $116,000,000, or approximately 9.7 percent, of a $1,200,000,000 transit infrastructure capital improvements program, and took between four and 13 years less than the schedule originally estimated by Caltrans.
- The Managing Director of North West Water Limited in the United Kingdom testified that Bechtel Infrastructure Corporation's program management services saved

$485,000,000, or approximately 21.1 percent, of its $2,300,000,000 capital improvement program.

2. The initial contract considered by the Finance and Labor Committee lacked performance measures which would permit the PUC to measure the program cost savings generated by the Contractor. In response to concerns expressed by the Finance and Labor Committee, the PUC and the Contractor have negotiated the performance measures and first year milestones contained in Attachment III. These performance measures and first year milestones form an Exhibit incorporated by specific reference in the proposed contract. At the end of the first contract year, the Contractor's performance against each performance measure and milestone would be assessed in terms of improvement relative to the UEB's current performance (the "baseline" measure). The Contractor's performance against the baseline would be used to determine the succeeding year's performance goals. The Budget Analyst considers that any audit of Contractor performance against contractual performance measures should also verify the validity and accuracy of the baseline measures. According to PUC staff, the PUC is confident that the baseline performance measures proposed for the performance measures contained in Attachment III would be found to be accurate and relevant under such independent auditor verification.

PUC staff state that additional performance measures and milestones will be added in future years as the nature of the work changes.

In addition to the annual PUC report to the Board of Supervisors on the Contractor's performance, PUC staff could facilitate Board of Supervisors program oversight and control by providing the following:

- The Contractor's monthly written reports to the Public Utilities Commission.
- The Contractor's quarterly presentations to the Commission.
- The PUC and Controller's Office semi-annual audits of progress against performance measures.

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- The annual review by the Controller's Office of independent financial audits of each contractor participating in the San Francisco Water Alliance.

3. PUC retention of overall program management responsibility appears to have the following advantages over sharing decision-making responsibility with, or delegating such responsibility to, a program management services contractor:

- Program accountability, final decision-making, expenditure authorizations, and overall cost control responsibility reside appropriately with City employees.
- PUC staff members' expertise in local water and sewer systems is maximized.
- City employees are the most familiar with San Francisco's public sector administrative, appropriation, and policy development processes, and with the expenditure requirements of bond-funded programs.
- An organizational focus on the capital improvement program will require the PUC to plan the future management of its infrastructure more strategically.

<u>Personnel Cost Savings</u>

4. PUC staff contend that the subject contract would secure considerable personnel cost savings for three reasons:

(a) The PUC would not need to hire additional staff who would no longer be necessary once they had completed work related to the capital improvement program. PUC staff have not estimated the total amount of these alleged savings. However, given natural staff attrition over a 12 year program comprising approximately 200 diverse projects, the Budget Analyst questions whether the PUC would actually need to terminate any staff after completion of the capital improvement program.

(b) The Contractor could respond more flexibly to changing staffing requirements and workload peaks. The Budget Analyst notes, however, that redeployment or addition of contractor staff is subject to prior PUC approval which raises the question of whether such redeployment or

addition of contractor staff would actually be faster than redeploying PUC staff.

(c) Using contract staff would circumvent the difficulties in hiring new permanent staff (see Comments No. 6 and 7 below).

5. Mr. Phil Arnold of the PUC provided an informal comparison of UEB staff classifications at 1998-99 salary levels with the 1997-98 hourly billing rates for comparable staff employed by a selection of as-needed UEB contractors. Mr. Arnold states that this comparison indicates that the UEB pays more for low level staff, but less for high level staff. Therefore, using the Contractor's more junior staff for peak workloads would be cheaper than the UEB hiring equivalent staff. The Budget Analyst notes, however, that low level staff are likely to perform functions which could be competently performed by City employees. In situations where the UEB only requires specialist technical skills for short periods of time, UEB staff contend that the higher cost of contractor staff is offset by the costs imposed by the civil service hiring constraints described below.

6. PUC staff emphasize the difficulty in hiring permanent City staff, citing the following reasons for hiring delays:

(1) The lengthy process to fill even recently vacated positions for which there is budgetary provision.
(2) Outdated civil service lists, union protests about list certifications, and the Department of Human Resources' reluctance to permit provisional hires before lists are completely exhausted.
(3) The lack of certain specialist job classes in the Civil Service Commission's classification system which does not permit the PUC to request specific job skills within, for example, the construction management, architect, or engineer classes.

7. As previously reported to the Finance and Labor Committee, the PUC takes between 33 and 68 weeks (or more) to hire a staff member into a budgeted position. Of this time, the Budget Analyst notes that between 21 and 29 weeks is consumed by processing the filling of a vacancy

within the PUC. While the PUC needs to work closely with the other agencies involved in personnel hiring to expedite recruitment, the Budget Analyst strongly recommends that the PUC also streamline its own personnel hiring practices. In a letter dated February 10, 2000 to the California State Auditor, the PUC General Manager wrote that the PUC personnel unit "was increased in 1998 by twelve positions (a growth of approximately thirty percent) to promote additional hiring." Despite these 12 new positions, and the three new personnel positions approved in the FY 2000-01 budget (a 1204 Senior Personnel Clerk, a 1241 Personnel Analyst, and an 1817 Procedural Writer), the Budget Analyst notes that ongoing internal PUC personnel processing delays seem to continue. Such hiring delays have significantly contributed to the UEB salary underexpenditure of $11,702,490 for the first 11 months of FY 1999-00[10].

8. The Budget Analyst also notes that the PUC has not formulated a rigorous staffing projection beyond FY 2000-2001, even for the short-to-medium term, to staff City positions for the capital improvement program. The PUC has not determined:

- The exact number of full-time equivalent staff the PUC would require if the PUC was to provide all the staff required for its capital improvement program.
- Those staff members' job descriptions, job classifications, and their level of seniority within those job classifications.
- The most appropriate employment conditions for each position (for example permanent civil service, limited tenure, or temporary positions, or personal services contracts).
- When an existing classification could not provide the necessary engineering expertise.
- When staff from other City departments which employ construction management services staff could be used[11].
- The impact of attrition rates on employee turnover within different job classifications.

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[10] This underexpenditure figure includes both engineer and non-engineer salaries.

[11] Mr. Quan states that a review of DPW, MUNI, the Port, and the Airport undertaken in July and August of 1999 indicated that no such staff are currently available for PUC purposes.

The Budget Analyst notes that the lack of a staffing projection led the California State Auditor to recommend that the PUC "develop a formal comprehensive plan to outline the staffing requirements necessary to complete its capital improvement plans."

9. The San Francisco Water Alliance has proposed that it will need to employ 45 staff for the first year of the subject contract, as listed in Attachment IV. According to Ms. Iwata, the PUC is currently seeking the Contractor's justification for this number of contract staff given that the PUC will need to find office space for them. Without a staffing plan, the Budget Analyst is unable to compare the relative costs and benefits of using City employees versus consultants for the capital improvement program. Furthermore, the Budget Analyst questions what staffing projection criteria the PUC will use to evaluate the Contractor's staffing requests.

PUC Performance and Workload Issues

10. During the three years between FY 1997-98 and FY 1999-00, the PUC capital improvement program budget totaled $402,546,036 (see Attachment V, provided by Mr. Wong). However, during the same three year period, the PUC expended just $265,752,104, or approximately 66 percent, of that capital improvement program budget (see Attachment VI, provided by Mr. Wong).

The California State Auditor has expressed concern at the insufficient capital improvement program activity given the identified capital improvement needs. The California State Auditor identified the following causes for capital improvement program management problems at the PUC: the absence of an effective tracking system to monitor the progress of capital projects and the completion of preventive maintenance, much delayed cost and schedule estimates for all identified capital improvement projects, inefficient contracting procedures (see Comment No. 16 below), outdated project operations manuals and procedures, weak capital project and preventive maintenance monitoring, and inadequate formal project management training.

11. As shown in Attachment VII, in the five years between FY 1995-96 and 1999-00, the number of filled UEB technical staff positions (denoted as "active engineers" in Attachment VII) has increased by approximately 188.7 percent, from 62 to 117. These technical staff are responsible for San Francisco Water Department (SFWD) and Hetch Hetchy Water and Power (HHWP) capital improvement projects only. According to Mr. Wong, under the Memorandum of Understanding between DPW and the PUC which transferred the responsibility for the Clean Water Program (CWP) from DPW to the PUC, DPW engineers remain responsible for the technical aspects of CWP capital improvement projects which are funded by the PUC.

12. In FY 2000-01, if the FY 1999-00 total of 117 filled technical staff positions is maintained, the current 39 technical staff vacancies are filled, and the 12 new technical staff positions approved for FY 2000-01 are also filled, then there will be 168 filled technical staff positions in the UEB. This represents an approximately 271 percent increase in technical staffing positions since FY 1995-96. The FY 2000-01 capital improvement program budget for SFWD and HHWP is $150,870,700. This represents an average budgeted capital improvement project workload for each of the 168 UEB technical staff in the amount of $898,040 in FY 2000-01.

13. The Budget Analyst notes, however, that in terms of actual SFWD and HHWP capital improvement program expenditures between FY 1995-96 and FY 1999-00, an average workload per filled UEB technical staff position of $898,040 would be approximately 40.5 percent higher than the previous high average workload of $639,140 in FY 1998-99. Mr. Wong of the PUC argues that the PUC could not achieve a 40.5 percent productivity increase per staff member. The Budget Analyst notes that a number of factors suggest that the PUC should be able to absorb at least a significant portion of that 40.5 percent workload increase:

- The PUC has invested in a number of initiatives to improve productivity, including the implementation of a new automated system to track preventive maintenance

requirements, the development of a formal management training program, and wider advertising of the continuing education opportunities for staff.

- A considerable proportion of the new technical staff hired in FY 1999-00 were journey level or above.
- New technical staff received enhanced training in FY 1999-00.
- Long-term UEB technical staff's experience and expertise should increase significantly each year.
- The PUC's pool of technical expertise is growing with the planned increase from 117 to 168 technical staff in the UEB.

The Budget Analyst notes that every 10 percent increase in productivity over FY 1998-99 levels for all 168 UEB technical staff would mean that $10,737,552 less work would need to be assigned to Contractor staff.

14. In addition, the Budget Analyst notes that the UEB augments its staff capacity by (a) assigning SFWD and HHWP projects to DPW, and (b) hiring architecture and engineering consultants through competitive procurement. On August 15, 1997 the PUC signed a Memorandum of Understanding with the DPW for engineering work in excess of UEB's capacity. This Memorandum of Understanding gives DPW the first right of refusal on PUC engineering work which cannot be undertaken by PUC staff.

15. According to Mr. Wong, the PUC is currently developing the latest update of its capital improvement program. As this planning process will not be complete until November of 2000, the PUC is unable to advise the Budget Analyst as to the projected capital improvement program budgets for each of the next four years. Mr. Wong advises that the capital improvement program budgets for each of the next four years are expected to be at least comparable to those in FY 1999-00 ($189,644,430) and FY 2000-01 ($178,870,700). However, it is not possible to calculate with any precision what the workload per UEB technical staff member over the four years of the subject contract will be. Given this, and the absence of a staffing plan (as noted in Comments No. 8 and 9 above), the Budget Analyst questions the PUC's ability to accurately

quantify the workload impact of the PUC's capital improvement program on UEB staff and, therefore, the PUC's need for contractor staff to help with workload peaks.

Use of a Single Contractor

16. The IFPTE expressed concern that too many services are being bundled into the subject contract which potentially (a) deters termination of the contract in the event of performance failure, (b) allows the Contractor to assign work to itself or its subcontractors, and (c) provides a disincentive for the Contractor to provide accurate performance information to the PUC. In response, Mr. Wong advises that these concerns have been addressed by the negotiated contract in terms of (a) the termination of convenience clause, (b) City staff members' responsibility for final decisions, and (c) the requirement for regular monthly reports, semi-annual reviews, and annual audits. Furthermore, Mr. Wong advises that the PUC Commissioners prefer one contract in order to:

- Centralize responsibility and accountability. By channeling the work through one prime Contractor, the PUC contends that it (a) makes the Contractor fully responsible for its output and the output of its subcontractors, (b) reduces the PUC's liability by having only one point of contact, and (c) reduces the subcontractors' liability because the prime Contractor carries the bulk of their liability.
- Maintain integration of program management and construction because (a) the profit for the Contractor comes from savings achieved (as explained in the section on "Proposed Contractor Fees" above), not from the program management services, (b) the Commissioners want a Contractor with specific utility business expertise who cares equally about program management and construction, and (c) integration supports the goal of centralized responsibility and accountability discussed above.
- Avoid multiple, expensive, and lengthy contractor selection processes. PUC staff contend that it is cheaper and quicker to have just one contract. With regard to

cost, the PUC advises that the average cost of a contractor selection process is $150,000. With regard to length of time, a May of 1997 PUC consultant's report stated that it took six to 12 months for the PUC to complete a single contracting process, from development of the RFP to the award of the contract. This was twice as long as the DPW contracting process, according to the consultant. Since 1997, the PUC has revised its financial reporting and auditing standards, clarified its expectations and approval process for professional service contracts, and increased and centralized its contracting staff. The Budget Analyst would therefore assume that the PUC should now handle multiple contracts efficiently and cost effectively.

<u>Role of Each Joint Venture Partner and Subcontractor</u>

17. In response to the Budget Analyst's prior report on this proposed contract, Attachment VIII, provided by the San Francisco Water Alliance and the PUC, contains an organization chart which illustrates how lead Contractor staff from each of the joint venture and subcontractor organizations would be integrated into the PUC's capital improvement program staffing. Additional as-needed Contractor staff would be provided to meet peak workload demands. Attachment IV lists the 45 key Contractor staff who would be dedicated to the contract.

18. As previously noted, during its July 19, 2000 consideration of the first version of the subject contract, the Finance and Labor Committee raised a number of specific questions. Attachment IX contains the PUC's written responses to 13 questions posed by the Finance and Labor Committee. The PUC has not responded in writing to a further request that consideration be given to a Phase I and Phase II contract. Instead, the PUC has proposed amended contract language to provide for annual Board of Supervisors review of the Contractor's performance, as described in this report.

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With regard to a request for more information about the Public Utilities Commission's selection of the proposed Contractor, PUC staff advise that the Vice-President of the Public Utilities Commission will be present at the Finance and Labor Committee's August 2, 2000 meeting to respond directly to the Committee.

Summary: Pursuant to Motion No. M99-38, approved by the Board of Supervisors on April 12, 1999, the Budget Analyst was directed to review the subject contract in terms of the following three-part question. Would the subject contract (a) increase or decrease costs, (b) increase or decrease the oversight of expenditures, and (c) provide any other benefits or costs when compared to managing the PUC's capital improvement program with existing and/or new City staff?

With regard to the first part of the question as to whether the subject contract would increase or decrease costs, the PUC has provided the Budget Analyst with (a) limited substantive data, in the form of letters from clients of the proposed contractors, to prove the subject contract would decrease program costs, and (b) no data to prove that the subject contract would decrease personnel costs. The absence of a rigorous staffing projection beyond FY 2000-2001 to staff City positions for the capital improvement program means that the Budget Analyst is unable to compare the Contractor's proposed cost of approximately $109 per hour for 412,435 hours over four years with comparable cost and time information from the PUC. Furthermore, in relation to personnel costs, the Budget Analyst notes that the delay in staff hiring, which is one of the problems which the subject contract is designed to address, is significantly affected by internal PUC processes.

However, the subject contract, as amended by PUC staff, does contain eight initial "key performance measures" which are intended to enable the PUC and the Board of Supervisors to determine whether the subject contract had indeed decreased program costs.

With regard to the second part of the question as to whether the subject contract would increase or decrease expenditure

oversight, the Budget Analyst considers that the proposed contract would maintain, or even increase, oversight over expenditure, if the PUC meets its obligation, under the terms of the contract, to (a) specify precisely what work it would require the Contractor to perform and at what cost, and then to (b) monitor whether or not the Contractor had met those performance requirements. The Budget Analyst notes, however, that such increased oversight would also be possible if the PUC more tightly specified and measured the performance of its own staff, holding them accountable for the delivery of pre-determined outcomes. Mr. Wong advises that the PUC is enhancing the performance measurement capabilities of its staff to ensure improved expenditure oversight. In particular, the PUC is increasing its training emphasis on timely delivery of projects against scheduled milestones, and is increasing its management control of technical staff, according to Mr. Wong.

With regard to the third part of the question as to whether the subject contract would provide any other benefits or costs when compared to managing the PUC's capital improvement program with existing and/or new City staff, the Budget Analyst reiterates that the PUC has provided insufficient data on which to make such an assessment.

Recommendations: 1. While the subject amended contract's performance measures are intended to provide measurement of the savings expected to result from hiring the Contractor, the PUC has not demonstrated how it would be more cost effective to enter into the subject contract than to have City employees fully responsible for program management. As this substantive question remains unanswered, the Budget Analyst considers approval of the subject program management services contract to be a policy matter for the Board of Supervisors.

2. As previously noted, the Public Utilities Commission has not yet approved the amended version of the proposed contract which includes performance measures and provides for annual Board of Supervisors approval for continuation of the contract. Therefore, continue the subject resolution pending formal Public Utilities Commission approval of the amended Program Management Services contract.

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SFPUC CIP PROGRAM - (Planned Jobhours and Costs for 4 years)

Hours and Costs Based on Budget and Tasks Specified by SFPUC

	Year 1			Year 2			Year 3			Year 4			Total PMC		
	Hours	Costs	%	Hours	Costs	%	Hours	Costs	%	Hours	Costs	%	Hours	Costs	%
PMO															
Bechtel	19,008	$1,850,000	47%	25,920	$2,450,000	46%	18,624	$2,040,000	41%	19,584	$2 180,000	41%	83136	$8,520,000	43%
JV	11,328	$950,000	25%	13,440	$1,240,000	24%	14,400	$1,431,800	29%	14,400	$1,490,000	28%	53,568	$5,110,000	26%
Subs	9,120	$1,110,000	28%	13,058	$1,616,800	30%	11,520	$1 524 800	30%	12,576	$1,710,000	32%	46,272	$5,960,000	31%
S/T PMO	39,456	$3,910,000	100%	52,416	$5,310,000	100%	44,544	$5,000,000	100%	46,560	$5,380,000	100%	182,976	$19,590,000	100%
PM/CM & TSS															
Bechtel	14,784	$1 350,000	38%	36,288	$3 250,000	47%	25,344	$2 410,000	41%	18 624	$1 860,000	44%	95040	$8 870,000	42%
JV	12,000	$1,020,000	28%	19 584	$1,740,000	25%	18,720	$1 730,000	29%	8,160	$780 000	19%	58 464	$5,270,000	26%
Subs	15,187	$1 220 000	34%	23,328	$1 960 000	28%	20,160	$1 760,000	30%	17,280	$1 570 000	37%	75,955	$6,510,000	32%
S/T PM/SM & TSS	41,971	$3 590,000	100%	79 200	$8 950,000	100%	64 224	$5 900,000	100%	44 064	$4 210,000	100%	229 459	$20,650,000	100%
Total w/o Fee															
Bechtel	33,792	$3 200,000		62,208	$5,700 000		43,968	$4 450,000		38,208	$4,040 000		178176	$17,400,000	
JV (Sverdrup+Jeff)	23,328	$1,970,000		33 024	$2 980,000		33,120	$3 170,000		22,560	$2 270,000		112,032	$10,380,000	
Subs	24 307	$2,330 000		36 384	$3 580 000		31,680	$3 290,000		29 858	$3,280 000		122 227	$12 470,000	
Total w/Fee			Incl Fee			Incl Fee			Incl Fee			Incl Fee			Incl Fee
Bechtel		$3,480,000	43%		$8,330,000	46%		$4 940,000	40%		$4 490 000	42%		$19,250,000	43%
JV (Sverdrup+Jeff)		$2,140,000	26%		$3,310,000	25%		$3 520,000	29%		$2,520,000	25%		$11,480,000	25%
Subs		$2,530,000	31%		$3 970,000	29%		$3 650,000	31%		$3 640 000	34%		$13,790,000	32%
Fees															
Fixed		$600,000			$860,000			$650,000			$480,000			$2,590,000	
Performance		$0			$550,000			$600,000			$620 000			$1,770 000	
Subcontractor Admin		$70 000			$110 000			$100 000			$100 000			$370,000	
Total		$870,000	8%		$1 520,000			$1,350,000			$1 200 000			$4,730,000	
Total Program	81,427	$8,200,000		131 616	$ 14 000,000		108,768	$ 12,000,000		90 624	$11,000 000		412 435	$45,000,000	
		ROUNDED			ROUNDED			ROUNDED			ROUNDED			ROUNDED	

SFPUC CAPITAL IMPROVEMENT PROGRAM MANAGEMENT SERVICES
REQUEST FOR PROPOSALS
EVALUATION SCORE SHEET

Name of Firm: ______________________ *Reviewer:* ______________ *Date:* ________

NOTE: The descriptions listed under each criteria establish the basis for a score of *Good.*

CRITERIA	WEIGHT	SCORE
1. PROGRAM MANAGEMENT APPROACH	25	______

- Thorough, strong & responsive program approach to meet changing SFPUC needs for services & expertise.
- Well developed, thorough, responsive & considered 1st year & 4 year program implementation plans.
- Thorough, strong & specific approach to expedite program & project implementation, achieve significant cost & time savings.
- Strong, clear & precise definition of success for SFPUC program results & client satisfaction.
- Strong, detailed approach & recommendation of program management systems & tools for control & reporting.
- Thorough, strong & specific approach to specialized technical services for peak SFPUC workload.
- Strong, specific approach to specialized construction management services, reviews, partnering, dispute resolution & claims avoidance.
- Thorough, strong & effective approach to the SFPUC Program in Diversity, community outreach & goals for inclusion of minorities & women.
- Strong, innovative & specific approach to full utilization and development of UEB & DPW staff, strong approach to Staff Development Program & technology transfer.

- ☐ *Outstanding (9)*
- ☐ *Superior (7)*
- ☐ *Good (5)*
- ☐ *Fair (3)*
- ☐ *Poor (1)*

CRITERIA	WEIGHT	SCORE
2. CAPABILITY OF PMC MANAGEMENT TEAM MEMBERS	25	______

- Program Manager has 15 years experience and strong technical background in field of expertise.
- Program Manager has 5 years strong experience as responsible program manager on similar water and/or wastewater programs of $1 billion or more.
- Program Manager & appropriate PMC management team members hold current California PE licenses.
- Strong, demonstrated record of success of Program Manager for PMC prime consultant on other similar, complex & challenging programs as SFPUC.
- Other team members have 8 years strong experience in field of expertise.
- Other team members have 5 years strong experience in similar management positions on significant, complex & important public works programs as SFPUC.
- Strong management experience to high standards, top quality performance, cost savings & full client satisfaction.
- Strong commitment to promoting diversity & record of success managing diverse workforce.
- Proven record of flexible, responsive & creative problem solving on complex, important & challenging programs.
- Significant contribution to overall program success, accomplishment of client objectives on time & within budget.
- Strong experience and skill in streamlined program management & implementation under public government processes and procedures.
- Unique knowledge, experience and qualifications to perform roles and responsibilities in SFPUC program.

- ☐ *Outstanding (9)*
- ☐ *Superior (7)*
- ☐ *Good (5)*
- ☐ *Fair (3)*
- ☐ *Poor (1)*

SFPUC CAPITAL IMPROVEMENT PROGRAM MANAGEMENT SERVICES
REQUEST FOR PROPOSALS
EVALUATION SCORE SHEET

Name of Firm: ______________________ *Reviewer:* ______________ *Date:* ________

3. MINIMUM QUALIFICATIONS FOR PMC TEAM

- Annual prime or collective JV corporate revenues of $100 million or more. ☐ *Yes* ☐ *No*
- Sufficient capability of prime and JV partners to secure appropriate insurance coverage. ☐ *Yes* ☐ *No*

NOTE: The descriptions listed under each criteria establish the basis for a score of Good.

CRITERIA	WEIGHT	SCORE
4. CAPABILITY OF FIRMS ON PMC TEAM	*25*	______

- 10 years strong prime or collective JV program management experience on similar public works programs of $1 billion or more.
- 15 years significant experience within team on water & wastewater systems, operations & engineering (Prefer: Prime or JV experience).
- 5 years strong management experience of prime or JV partners on significant, complex & important public works programs as SFPUC.
- Substantial corporate strength, reliability, financial, technical & managerial capability of prime or JV partners to assume prime risks & responsibilities.
- Strong expertise, depth of experience, strength & capability in similar management and/or technical services as proposed.
- Strong prime or JV response to program challenges & difficulties, demonstrated ability to adapt, recover & achieve high quality results regardless of issues.
- Strong depth and breadth in current staff levels to meet SFPUC needs for flexible expert services.
- High quality program results, proven success, cost & time savings, and high client satisfaction with services similar to proposed.
- Strong knowledge & understanding of California water issues, regulations & stakeholder concerns.
- Strong record of firm's commitment to include minority- & women-owned businesses on project teams.
- Significant experience with programs similar to SFPUC Program in Diversity.
- Strong experience with client staff development & training, technology & management systems transfer to clients.
- Demonstrated success with design/build projects, construction safety programs, partnering & construction cost control measures.
- References provided as requested.

☐ *Outstanding (9)*
☐ *Superior (7)*
☐ *Good (5)*
☐ *Fair (3)*
☐ *Poor (1)*

SFPUC CAPITAL IMPROVEMENT PROGRAM MANAGEMENT SERVICES
REQUEST FOR PROPOSALS
EVALUATION SCORE SHEET

Name of Firm: ______________________ *Reviewer:* ______________ *Date:* ________

NOTE: The descriptions listed under each criteria establish the basis for a score of *Good.*

CRITERIA	WEIGHT	SCORE
5. APPROACH TO SFPUC PROGRAM IN DIVERSITY	*15*	______

- Strong, clear commitment to maximize program opportunities for MBE/WBE firms, especially those new to the SFPUC.
- Significant utilization of MBE/WBE firms in important program management and technical roles.
- Creative approaches to SFPUC Program in Diversity, to promote inclusion of minorities & women in program
- Strong, clear & specific plan to promote MBE/WBE growth & business development, transfer technology & skills.
- Thorough, strong & specific plan for job readiness training, pre-apprenticeship and paraprofessional internship training programs.
- Innovative, aggressive programs & activities to enhance effectiveness of SFPUC Program in Diversity.

- ☐ *Outstanding (9)*
- ☐ *Superior (7)*
- ☐ *Good (5)*
- ☐ *Fair (3)*
- ☐ *Poor (1)*

6. UNDERSTANDING OF SFPUC PROGRAM	*10*	______

- Strong & thorough understanding of capital improvement program goals & California water issues.
- Strong, clear understanding of unique program approach, financing & annual implementation plan.
- Strong grasp & understanding of water, power & wastewater operations, facilities and capital projects.
- Strong understanding & response to stakeholder concerns & public accountability.
- Thorough, clear understanding of program financial issues.
- Strong understanding of local labor union issues, community values and employee stake in program.
- Clear understanding of program constraints and contingencies.
- Strong, thorough responsiveness to Request for Proposals.

- ☐ *Outstanding (9)*
- ☐ *Superior (7)*
- ☐ *Good (5)*
- ☐ *Fair (3)*
- ☐ *Poor (1)*

GRAND TOTAL SCORE	*100*	______

The SFPUC/HRC Contract Compliance Officer will assess compliance with Nondiscrimination and MBE/WBE Utilization requirements. Failure to comply will result in disqualification from further consideration.

NOTE: Scores are calculated by multiplying the value for the qualitative score by the weight (for example, a qualitative score of Superior for No. 1 *Program Management Approach* *is 7 x 25, or 175).*

Key Performance Measures for Capital Improvement Program - CIP

Long term CIP Key Performance Measures – Table 1

	Long Term 4 Year Key Performance Measures	Goals and Objectives
1	Overall program savings	Realize a net savings of at least 10% ($138 million) for the above projects.
2	Project designs completed on schedule	Improve proportion of designs (started in this fiscal year or recently re-forecast) completed on schedule by 25% of baseline value in the first year. Projected targets for successive years are 10%, 10%, and 5%. These will be assessed at the end of each year to set the next year's goal. Currently according to the July 1999-March 2000 report 60% of the Design Projects are behind schedule
3	Construction contracts substantially completed on schedule	Improve proportion of construction contracts (started or re-forecasted) in this fiscal year, achieving substantial completion on schedule by 25% of baseline value in the first year, and 10%, 10%, and 5% in successive years These future targets will be reassessed each year to determine the new goal Currently according to the July 1999-March 2000 report, 26% of the Construction Projects are behind schedule.
4	HRC goals for MBE/ WBE participation in construction contracts achieved	Monitor and control the aggregate MBE/WBE participation as a proportion of HRC goals. The goal is to achieve 100% of the HRC goal
5	Closeout construction contracts within 6 months of substantial completion.	Closeout 80% of the contracts that are more than 6 months beyond their substantial completion dates at the time of the Notice to Proceed (NTP) of CIP. Set the goal for the second year contracts at the end of year one
6	Accuracy of Engineer's Estimate	Improve proportion of Engineer's Estimates within 10% of median bid for contracts in excess of $3 Million. The improvement target for year one is 25% This will be reassessed at the end of each succeeding year and a new goal set
7	CIP expenditure progress	Meet the planned expenditure profile for the identified projects ($1 38Billion)
8	Reduce total "services" costs (PM, Engr, CM, Procurement, etc.) associated with the non –construction aspects of the program	Year 1 – Develop and implement a job hour tracking program by discipline, by job change for the CIP Year 2 – Reduce service costs by a mutually agreed percent of above baseline

Overview of Long Term CIP (Key Performance Measures) KPMs – Table 1

Table 1 shows the Long Term (4 years) Key Performance Measures (KPMs). The first of the long term KPMs is to achieve savings over the entire CIP Program of 10% of the estimated costs. This would amount to $138 million for the projects identified in the RFP and about $350 million for the overall program if its value is $3.5 billion as currently envisioned. These savings would accrue from a number of sources such as better definition of the projects, more rigorous assessment of alternatives to reduce costs, increased efficiencies in the design and construction processes through taking advantage of project similarities, insurance savings through lower accident rates, bulk purchase of equipment where appropriate and a project wide labor agreement.

KPM number two and three, directly support this savings approach by focusing on the design and construction activities and finding ways to complete these activities on schedule. The primary benefit of this effort is that it will increase the credibility of the PUC with its stakeholders. Savings will accrue as the projects are completed earlier thus reducing cost of capital and escalation costs while at the same time getting the projects into the rate base faster.

Meeting the HRC goals for each of the projects is imperative. The program monthly progress reports will show progress against the baseline target as the program progresses.

Closeout is important because funds may remain in projects that have not been formally closed and they are thus unavailable to the PUC. There may also be unresolved claims or incomplete manuals that are holding up closure of the contract. At present, there are a number of projects that have reached the point where they can be operated, but there are outstanding issues that prevent contract closure. The goal is to close out 80% of the contracts of this type within six months of substantial completion of the contract. In the process, we will identify steps that will minimize the buildup of this type of backlog in the future. This information will be used to set the goal for this measure in the succeeding years.

Improving the accuracy of the engineer's estimates will assist in more accurately forecasting cash flow, funding, and resource requirements. The need to obtain approval for budget increases or to explain budget under runs will decrease, reducing the demands on the Commission and staff to rationalize budget/cost differentials.

The program expenditure curve presents an overview of the CIP by showing how the program is doing in meeting the plan for completing the projects that make up the $1.38 billion cost. At present, the plan is to complete the majority of these projects in the four-year timeframe or to at least have a majority of the work completed on schedule for these projects in the four years. This curve will represent the summation of all the CIP projects and thus will reflect both the cost and schedule performance of the program as a whole.

The last of the long term KPMs is related to the overall efficiency of the UEB. The goal is to make it comparable to outside consultants. In the first year, the goal is to institute a job hour tracking program that will allow the UEB to accumulate job charges by discipline or task, and by project, so a baseline can be established. In succeeding years, the goal will be to reduce costs for services by successive amounts to the level of the consulting professionals or similar water agency levels.

SFWA STAFFING - FTE / Year	
SFWA Core Team (per SFWA Proposal)	4
Sandy Lawson (Engineering Manager)	1
Secretary	1
PC Engineer	1
Estimator (Dennise Durkin)	1
PMS / Cost Engineer	2
Cost Schedule Engineer	1
F&A / Cost engineer	1
Area PC Engineer / Trend Engineer	1
PCM Contract / Procurement Manager	1
Outreach / Diversity Person	3
Project Manager	1
Project Engineer	2
S/T Bechtel	20
Sverdrup (Peterson, Construction Management)	1
Sverdrup (Construction Management)	1
S/T Sverdrup	2
Jefferson: Diversity Specialist / Outreach	1
Senior Estimator / Trend Engineer	1
DBA / Systems Engineer	1
Project Controls Engineer	1
Procurement Manager	1
EDMS Engineer	1
Field Cost Engineer	2
Contracts Administrator	1
Technical Specialist	1
S/T Jefferson	10
RMC Randy Raines (Planning and Design)	1
Planning Specialist	1
S/T RMC	2
Olivia Chen: Mechanical Engineer Optioneering	1
Olivia Chen: Civil Engineer Specialist	2
Olivia Chen: Planning Engineer / 4 Year Plan (T. Hodges)	1
S/T OC Consultants	4
Roja: Asset Condition Support	1
Roja Add'l Support (Optioneering / Value Engineering)	0.9
S/T GRA	2
Carollo: Construction Support	1
Carollo: Optioneering / Value Engineering	1
S/T Carollo	2
CPM: Sr Planning and Scheduling Engineer	1
CPM: Planner	1
CPM: Trend Engr / DBA	1
S/T CPM	3
TOTAL SFWA	45

Attachment V

SFPUC
ANNUAL CAPITAL IMPROVEMENT PROGRAM BUDGET

Fiscal Year	SFWD	HHWP	CWP	Total
1990-91	13,028,000	5,906,000	N/A to PUC	18,934,000
1991-92	27,870,000	14,491,900	N/A to PUC	42,361,900
1992-93	23,089,000	16,327,000	N/A to PUC	39,416,000
1993-94	13,114,700	9,030,000	N/A to PUC	22,144,700
1994-95	26,591,000	9,340,800	57,700,000	93,631,800
1995-96	19,117,139	10,732,696	58,938,000	88,787,835
1996-97	29,839,775	12,124,764	23,730,000	65,694,539
1997-98	75,474,606	15,985,000	29,920,000	121,379,606
1998-99	25,000,000	15,822,000	50,700,000	91,522,000
1999-00	145,152,430	18,200,000	26,292,000	189,644,430
2000-01	131,080,700	19,790,000	28,000,000	178,870,700
Subtotal (97/98-99/00)	245,627,036	50,007,000	106,912,000	402,546,036
Total	529,357,350	147,750,160	275,280,000	952,387,610

SFWD = San Francisco Water Department

CWP = Clean Water Program

HHWP = Hetch Hetchy Water & Power

Date 7/11/00

SFPUC
ANNUAL CAPITAL IMPROVEMENT PROGRAM EXPENDITURES

Fiscal Year	SFWD	HHWP	CWP	Total
1990-91			N/A to PUC	0
1991-92			N/A to PUC	0
1992-93			N/A to PUC	0
1993-94	26,621,128	4,753,633	N/A to PUC	31,374,761
1994-95	28,093,929	5,708,738	23,660,784	57,463,451
1995-96	24,879,660	7,188,171	127,592,837	159,660,668
1996-97	28,894,728	12,867,986	68,162,170	109,924,884
1997-98	32,931,549	13,546,956	36,896,554	83,375,059
1998-99	41,957,217	9,173,983	40,447,101	91,578,301
1999-00	53,591,315	11,702,026	25,505,403	90,798,744
2000-01				0
Subtotal 97/98-99/00	128,480,081	34,422,965	102,849,058	265,752,104
Total	236,969,526	64,941,493	322,264,849	624,175,868

SFWD = San Francisco Water Department

HHWP = Hetch Hetchy Water & Power

CWP = Clean Water Program

Attachment VII

Utilities Engineering Bureau (UEB)
Total Number of Active Engineers by Classification
Effective FY 1995-96 through Present

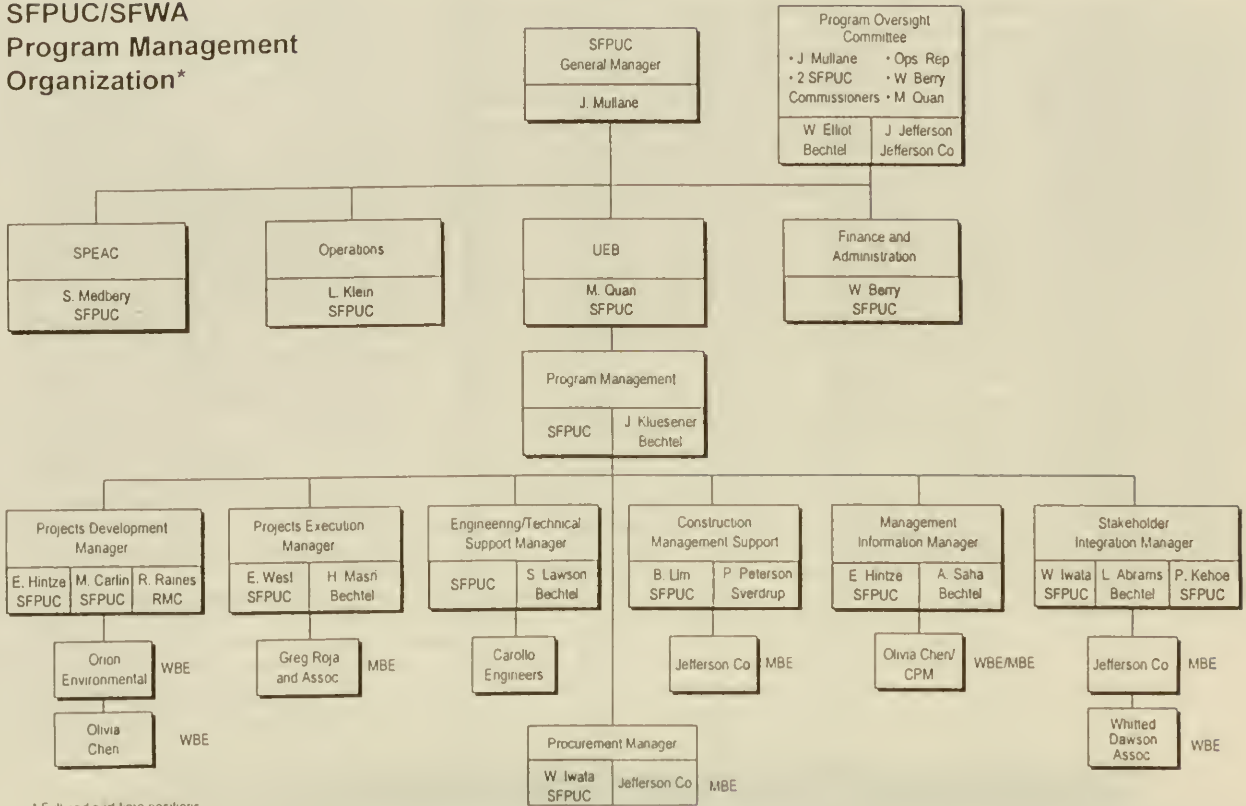
CLASS	TITLE	FY 1995-96*	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00 Filled	FY 1999-00 To Be Filled
5189	UEB Manager	0	1	1	1	1	0
5162	Water Purfication Division Manager	0	0	0	0	0	2
1376	Civil Engineering Associate II	1	1	1	1	1	0
1377	CIP Manager	2	2	2	2	1	0
**5201	Junior Civil Engineer	3	4	5	4	3	1
5204	Assisant Civil Engineer	7	8	9	11	11	1
5206	Associate Engineer	13	13	13	12	21	9
5208	Civil Engineer	8	8	7	7	13	11
5210	Senior Civil Engineer	4	4	4	4	10	2
5212	Principal Engineer	1	1	1	0	2	1
5234	Jr. Electrcial Engineer	1	1	1	1	2	0
5236	Assistant Electrical Engineer	1	1	1	1	3	2
5238	Associate Electrical Engineer	3	3	3	3	5	1
5240	Electrical Engineer	1	1	1	1	3	0
5242	Senior Electrical Engineer	0	0	1	2	2	0
5252	Assistant Mechanical Engineer	3	3	3	5	4	1
5254	Associate Mechanical Engineer	3	3	4	4	7	0
5256	Mechanical Engineer	2	2	2	2	2	4
5258	Senior Mechanical Engineer	1	1	1	3	4	0
5344	Mecanical Engineer Assistant II	0	0	0	0	0	0
5346	Mechanical Engineer Associate I	1	1	1	1	2	0
5352	Electrical Engineering Assistant II	0	0	0	0	1	0
5354	Electrical Engineering Associate I	2	2	2	2	1	0
5362	Civil Engineering Assistant II	2	2	3	4	1	1
5364	Civil Engineering Associate I	1	1	1	3	2	2
5366	Engineering Associate II	1	1	1	1	1	1
5502	Project Manager I	0	0	0	0	6	0
5504	Project Manager II	3	4	4	4	4	0
5506	Project Manager III	1	1	1	1	4	0
	TOTAL	62 *	69	73	80	117	39

*This number should be 65.

*First year reflecting the Prop M reorganization of the PUC.
**5202 Junior Civil Engineer class was consolidated to 5201 on 6/8/99.
Data Source: Kardex and Vacancy report as of 6/22/00.

6/29/002:47 PM

SFPUC/SFWA Program Management Organization*



* Full and part time positions

QUESTIONS FROM THE 7/19/00 FINANCE AND LABOR COMMITTEE MEETING ON PROGRAM MANAGEMENT AND SFPUC RESPONSES

1. SFPUC to provide a) specific performance measures, objectives, work plan and budget for the first 12 months of proposed contract, and b) advice on how longer term performance measures and objectives will be determined.

    a) Performance measures and first year milestones are identified in Attachment 1*(Key Performance Measures for CIP) and include Project Design Completion, Construction Completion, Attainment of HRC Goals, Close-out of Construction Projects within Six Months, Accuracy of Engineer's Estimate, CIP Expenditure Progress. Short-term milestones include Completion of First Draft of CIP within 3.5 months; Completing Assessments and Providing Recommendations of UEB Organization, Project Controls, Project Plan Procedures; Complete Training Curriculum for Project Managers, Project Engineers, Contract Administration, Small Businesses, Safety.

    b) Some long term performance measures and objectives are spelled out in the Key Performance Measures, while other targets will be added in future years as the nature of the work changes. Each performance measure will be assessed each year to set succeeding year's goals. Measurements are compared to the current UEB baseline performance, with many Year One goals targeted at 25% improvement over baseline, followed by tentative goals of an additional 10% for Year 2, another 10% for Year 3, and another 5% for Year 4.

2. SFPUC to provide options for yearly Board of Supervisors oversight:

The Board can participate in any or all of the following progress reporting tool that the SFPUC will use to obtain oversight and control of the program management effort

- Monthly written reports will be provided by the SFWA to the Commission.
- Quarterly presentations will be made to the Commission
- Semi-annual performance audits of SFWA by SFPUC and the Controller's Office will be conducted to assess progress on the performance measures.
- The Controller's Office will review the independent financial audits of the prime and each sub-consultant annually.

All of these reports can be shared with the BOS and Budget Analyst.

*Refer to Attachment III of this report.

Program Management funding will be a line item in the annual Capital Improvement Plan submitted to the Commission and the BOS, which will require approval. Additionally, the BOS will be presented an annual report on the Consultant's performance. Based on the annual performance reports, the BOS shall have the right to disapprove the annual continuation of the contract.

3. What are the estimated cost savings during the 10-15 year program?

The SFWA / SFPUC have set a goal of saving 10% of the cost of the Capital Improvement Program (CIP) identified in the Program Management Consultants Request for Proposal (RFP) dated July 1999. That amounts to about $138 million (10% of $1.38 billion) in savings during the first 4 years of the program. The $1.38 billion estimate in the RFP is a planning estimate developed by the staff of the SFPUC and is based on 1998 dollars

Currently there are only $500 million in funds available for the program. If no future funds are approved, the contract with the SFWA will be terminated. However, the 10% savings on the total cost of the CIP, remains as a goal, although the total value of the savings will be adjusted to reflect the overall value of the CIP that is influenced by the SFPUC.

Training of the SFPUC staff by the SFWA will ensure that the program savings continue even after the SFWA contract is completed.

4. Why would SFPUC contract out identification of new financing sources if this duplicates work done by existing SFPUC staff?

Although the Program Management RFP requested proposers to offer this capacity, there is currently no task for identifying financing sources in the proposed contract. The SFPUC's Assistant General Manager for Finance & Administration has almost 20 years of financing experience, and the organization has issued an RFP for financial advisory services. In addition, the Finance Bureau staff is being reorganized, with additional capacity being added in the areas of financial planning and debt administration. Identification of alternative funding sources requires discussions with many parties, including the Program Management Consultant, but the work will be done by staff.

5. Why is the SFPUC planning to contract out development of a public information program that would duplicate the work of the SFPUC's Public Information Office?

Existing SFPUC staff will provide the bulk of the Public Information Program effort. The SFWA will support a significant capital improvement program that will involve extensive work in more than four Bay Area counties – San

Francisco, Alameda, San Mateo and Santa Clara, and beyond. SFPUC facilities stretch from Yosemite National Park to the Bay Area, and into San Francisco. This huge endeavor calls upon expansion in every area of the SFPUC, including public affairs activities. Planning and construction will occur in the various counties, traversing over 150 miles. Public meetings, community outreach, public notification, informational materials and media relations will increase dramatically as projects move toward design and construction. When special skills or staff augmentation is indicated, support services will be provided to the current SFPUC communications staff on an as-needed basis.

6. How were MBE/WBE goals determined? Are they based on state or local requirements?

The goals were established in conformance with CCSF regulations, practices and procedures. The SFPUC unilaterally imposed additional 2% MBE and 1% WBE goals for each of Years 2, 3 and 4.

7. Can the City terminate the contract at any time?

According to the contract, the City has the option, in its sole discretion, to terminate the agreement at any time during the term, for convenience and without cause. The City shall exercise this option by giving SFWA written notice of termination. The notice shall specify the date on which termination shall become effective, and invoices should be received for fees earned within 30 days from specified termination date.

8. Does the Contractor carry all the liability for its subcontractors?

Under the contract with the SFPUC, the SFWA, Joint Venture, has full liability.

9. SFPUC to break down the upper maximum Contractor remuneration of $45 million by the five remuneration categories.

SFWA has provided a nominal breakdown based on information provide in the RFP – see Attachment 2.* The breakdown may change depending on funding availability, and CIP projects.

10. Would Contractor invoices be directly submitted to the City, or would they first be vetted by the SFPUC?

Invoices would be submitted through the normal procedure of approval through the Project Manager, and then processed through Contracts Administration for payment.

*Refer to Attachment I of this report.

11. How was the 3 percent subcontractor administrative fee level set? What is the industry standard?

This figure was arrived at through negotiation and is lower than the usual 5% applied on other City contracts and within the industry.

12. What are the criteria used to determine acceptance of "other direct charges"?

Other direct charges can only be applied if they are in conformance with the Federal Acquisition Regulations (FAR), which is the same standard applied to City employee expenses. All charges must be directly related to a project, must be pre-approved, and will be consistent with City policies. SFWA will be reimbursed at cost for ODCs; no mark-ups are allowed.

13. What are the respective roles and responsibilities of each SFWA company?

Attachment 3*is an organization chart that shows how the SFWA is integrated into the SFPUC's Program Management effort. As previously discussed, the SFWA team will primarily provide special skills and tools related to managing a capital program of this size. In addition, they will provide as-needed staffing to meet peak demands for such things as construction management. The bulk of the program management activities will be provided by the SFPUC/City staff buttressed by the SFWA's management tools and expertise. Attachment 4*is a staffing plan for the SFWA based upon the baseline information in the RFP.

*Refer to Attachment VIII of this report.

*Refer to Attachment IV of this report.

Item 2 - File 00-0852

Note: This proposed ordinance was continued by the Finance and Labor Committee at its meeting of July 19, 2000 (see Comment 5).

Department: Library

Item: Ordinance (a) approving a Memorandum of Understanding (MOU), dated as of July 1, 1999, between the San Francisco Public Library and the Friends and Foundation of the San Francisco Public Library ("Friends and Foundation") for use of space in the Main Library building for the performance of Library-related services, generation of revenues for Library Department purposes, and assurance of private funds to provide support on an ongoing basis for the San Francisco Public Library system; and (b) amending Article XIII, Chapter 10, Part One of the San Francisco Municipal Code ("Administrative Code") by adding section 10.116-6 thereto, authorizing the City Librarian, or his or her designee, to accept and expend any individual gifts from the Friends and Foundation of a value of $25,000 or less; and (c) authorizing and approving certain agreements to be made between the City and the Friends and Foundation as contemplated by such MOU, including a lease of office and gift store space and an agreement giving the Friends and Foundation the right to manage the meeting rooms, auditorium, and other space for private functions and special events and to charge fees for such uses.

Description: The proposed ordinance would approve (a) a Memorandum of Understanding (MOU) between the City and the Friends and Foundation of the San Francisco Public Library, which would include the lease of Library space to be used for Friends and Foundation office space and a gift shop, (b) a Marketing and Events Management Agreement between the City and the Friends and Foundation, which is Section 3 of the subject MOU, for marketing and events management of space for private functions and events, and (c) an amendment to the Administrative Code to authorize the City Librarian to accept and expend any individual gifts from the Friends and Foundation of $25,000 or less without receiving Board of Supervisors approval.

The proposed MOU would be effective retroactively to July 1, 1999, and would expire on June 30, 2005, a six-year

period.[1] Under the proposed MOU, the Friends and Foundation would provide a minimum of $200,000 per year of private funding to the Library for library-related projects. The Library would permit the Friends and Foundation to use approximately 2,686 square feet for office space, and approximately 300 square feet for a gift store. In exchange, the Friends and Foundation would pay rent of $1 per year rent for the office space and $1 per year rent for the gift store space.

The proposed Marketing and Events Management Agreement, which is described in Section 3 of the subject MOU, would be ratified retroactively for the period from July 1, 1999 through June 30, 2000. For the one-year period from July 1, 1999 through June 30, 2000, the Library provided space in the Main Library for private functions and non-City events. According to Mr. George Nichols of the Library, the Library determined fees for special events, and received approximately $50,600 in revenue generated by those fees in FY 1999-00. $60,000 was included in the FY 1999-00 Library budget to pay the Friends and Foundation an annual events management fee, which is $9,400 more than the $50,600 in revenues generated. According to Mr. Nichols, the consultant hired by the Library to study the Marketing and Events Management Program recommended to the Library Commission that the Program not be continued as it was currently structured. Although the proposed MOU provides that the Friends and Foundation has the option to extend the subject Agreement for a period of up to one year to June 30, 2001, subject to City approval and appropriation of funds by the Board of Supervisors, Mr. Nichols states that the Friends and Foundation did not exercise that option with the period required by the MOU. As a result, the Agreement terminated as of June 30, 2000.

The proposed amendment to the Administrative Code would authorize the City Librarian to accept and expend individual gifts of cash, goods or services, valued at $25,000 or less, from the Friends and Foundation without prior approval from the Board of Supervisors. Under the

[1] According to Mr. George Nichols of the Library, the proposed MOU is retroactive because of an extended negotiating process with Friends and Foundation, which had recently merged into one organization, as noted in Comment No. 1, and because of administrative delays.

proposed amendment, the City Librarian would submit an annual written report to the Controller and the Clerk of the Board of Supervisors listing the gifts accepted from the Friends and Foundation and summarizing how the City Librarian expended such gifts.

Comments:

1. According to Mr. Nichols, the Friends and Foundation of the San Francisco Public Library is a volunteer organization governed by a Board of 30 volunteer members, dedicated to fundraising to support the Library. The Friends and Foundation, a nonprofit organization, was formed out of the July 1, 1999 merger of two organizations formerly known as the Friends of the San Francisco Public Library ("Friends") and the Library Foundation of San Francisco ("Foundation"). The Friends was a nonprofit organization founded in 1961 and dedicated to raising funds for Library programs. The Foundation was a nonprofit organization founded in 1991 to raise private funds to pay for Library furnishings, fixtures, and project support. The Friends have been operating under an MOU with the City and County of San Francisco dated February 23, 1996, in which it has been providing the Library with supplemental funding for particular library projects. The Foundation had been operating under an MOU with the City and County of San Francisco, dated May 2, 1996, which terminated on June 30, 1999, the date the Foundation ceased to exist. The Foundation had also been operating under an events management agreement, dated September 30, 1996, in which the Foundation provided services for the marketing and management of the event space in the Main Library for meetings, lectures, receptions, and other private events after the Library's public hours. Although the events management agreement with the Foundation expired on June 30, 1999, the Foundation continued to provide special event management services to the Library in FY 1999-2000.

2. The proposed MOU, including the Marketing and Events Management Agreement, would cover the merged organization, Friends and Foundation of the San Francisco Public Library, and would be effective retroactively to the date of the merger, July 1, 1999. The proposed MOU, except for the Events Management Agreement, would be effective through June 30, 2005 and could be extended on a year-to-

year basis after June 30, 2005. The Marketing and Events Management Agreement, which is Section 3 of the subject MOU, would be effective retroactively to July 1, 1999 through June 30, 2000. Under the terms of the MOU, the Friends and Foundation had the option to extend the Marketing and Events Management Agreement for a period of up to one year from July 1, 2000 through June 30, 2001 by giving written notice to the City after June 1, 2000 and before June 30, 2000. Under the terms of the MOU, such extension would be subject to the approval of the City Librarian and the appropriation of funds by the Board of Supervisors. According to Ms. Adine Varah of the City Attorney's Office, because the Friends and Foundation did not exercise their option to extend the Marketing and Events Management Agreement during the time period specified in the MOU, the Agreement terminated on June 30, 2000 and will not be renewed.

3. Under the proposed MOU, the Friends and Foundation would provide the City a minimum of $200,000 per year in private funding. The Library would provide to the Friends and Foundation 2,686 square feet of office space for $1 annual rent and 300 square feet of gift shop space for $1 annual rent. The Library would provide basic building utilities and services, including electricity, heating, ventilation, air conditioning, and janitorial services, at its costs. According to the MOU, under no event would the $200,000 in annual private funding be less than the fair market value of the office and gift shop space, totaling 2,986 square feet (2,686 plus 300). According to Ms. Claudine Venegas of the Department of Real Estate, commercial rental space in the Civic Center ranges from $32 to $36 per square foot annually. Therefore, fair market value for the subject office space would range from $95,552 annually (2,986 square feet time $32 per square foot) to $107,496 annually (2,986 square feet time $36 per square foot).

4. Attachment I is a memorandum provided by Ms. Susan Hildreth, Acting City Librarian, in response to concerns expressed in the July 19, 2000 Finance and Labor Committee meeting. These concerns include (a) the use of Library space to provide office space for the Friends and Foundation; (b) the required minimum contribution level

from Friends and Foundation to the Library of $200,000; (c) Library oversight of Friends and Foundation; and (d) the Friends and Foundations duty to comply with applicable sections of the Charter and Administrative Code, including the Sunshine Ordinance. Additionally, the memorandum addresses concerns raised by SEIU, Local 790, in a letter to the Finance and Labor Committee, regarding the Friends and Foundation use of Library patron lists for solicitation mailings, and the authority of the City Librarian to refuse pledges or gifts that are not consistent with the Library's goals.

5. The proposed ordinance would amend the Administrative Code to authorize the City Librarian to accept and expend funds of $25,000 or less from the Friends and Foundation without Board of Supervisors approval. The proposed amendment would require that the City Librarian submit a written report to the Controller and the Clerk of the Board of Supervisors annually listing the gifts accepted from the Friends and Foundation and summarizing how such funds were expended. Currently, Board of Supervisors approval is required to accept and expend gifts greater than $5,000. According to Mr. Nichols, the Library has submitted 4 such resolutions to the Board of Supervisors in FY 1999-00. As stated in the attached memorandum (Attachment II) provided by the Library, the Library would benefit from the proposed amendment to the Administrative Code, because the amendment would "facilitate timely implementation of activities funded through gift funds received from the Friends and Foundation, (and) reduce the Library's administrative processing of various small gifts provided by the Friends and Foundation without compromising the need for public disclosure of funds received and spent". The Budget Analyst considers approval of the proposed amendment to the Administrative Code to be a policy matter for the Board of Supervisors because it would authorize the City Librarian to accept and expend gifts up to $25,000 from the Friends and Foundation without prior Board of Supervisors approval.

6. In summary, the Budget Analyst recommends approval of the proposed MOU between the City and the Friends and Foundation which would provide the Library a minimum of $200,000 per year in private funding in exchange for gift shop and office space for the Friends and Foundation. According to the MOU, under no event would the $200,000 in annual private funding be less than the fair market value of the office and gift shop space. Additionally, the Marketing and Special Events Agreement, included in Section 3 of the proposed MOU, was terminated on June 30, 2000, and will not be renewed. The Budget Analyst considers approval of the proposed amendment to the Administrative Code to be a policy matter for the Board of Supervisors because it would authorize the City Librarian to accept and expend gifts from the Friends and Foundation of $25,000 or less without prior Board of Supervisors approval.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors, as noted in Comment No. 5.

San Francisco Public Library
100 Larkin Street, San Francisco, CA 94102

Memorandum

To: Severin Campbell, Budget Analyst's Office

From: Susan Hildreth, Acting City Librarian SH

Re: Issues regarding MOU between the San Francisco Public Library and Friends and Foundation of the San Francisco Public Library

Date: July 27, 2000

Several issues were raised at the July 19th, 2000, Finance Committee regarding the MOU between the San Francisco Public Library and the Friends and Foundation of the San Francisco Public Library. The primary issues of concern are as follows: use of space by the Friends and Foundation in the Main Library, required contribution by the Friends and Foundation, lack of control by the Library Commission over the activities of the Friends and Foundation and lack of disclosure regarding Friends and Foundation activities.

Use of space by the Friends and Foundation in the Main Library: The Friends of the Library had office space in the old Main Library for many years. When the New Main Library was opened, space was made available for both the Friends and the Foundation in separate locations in the building. We are in the process of consolidating the space used by the Friends and Foundation into one location so that the merged organization can effectively function in one unified space.

Although space is at a premium in the Main Library, the Friends and Foundation will occupy only 2,686 square feet of office space in a 375,000 square foot building. The space the Friends and Foundation will occupy on the 6th floor is not space that has been constructed to support the weight load of books, so the space could only be utilized for other office uses. The rental arrangement as proposed in the MOU does provide space to the Friends and Foundation at minimal cost, but those dollars that otherwise would be spent on rental of office space are dollars that can be contributed to the Library. Also, the proximity of Library Administration and the Friends and Foundation allows for close cooperation and interaction of these two organizations which is essential for successful collaboration.

Required contribution by the Friends and Foundation: The minimum level of contribution required by the Library from the Friends and Foundation is $200,000 annually over the term of the MOU. Historically, the Friends and Foundation have contributed much more than this amount on an annual basis and are planning to contribute approximately $2 million in 2000/2001. This figure was determined by the traditional allocation that the Friends of the Library had made to the Library, which has been made from existing assets that the Friends already had available to them. Larger contributions are usually generated by specific capital campaigns; and, because these campaigns change depending on library needs, we did not feel it was appropriate or prudent to determine the minimal contribution level based on fluctuating capital campaign contributions.

Lack of control by the Library Commission over the activities of the Friends and Foundation: The Library Commission reviewed this MOU in detail and did not believe that the Commission or the City Librarian, as their representative, lacked adequate control over the Friends and Foundation activities. In fact, the MOU is the document that outlines the operating agreement between the two entities and stipulates that the City Librarian provide approvals for many specific activities undertaken by the Friends and Foundation. Library staff meet on a regular basis with the Friends and Foundation staff. The Friends and Foundation makes regular reports to the Library Commission regarding their activities. Communication between the two organizations is very good; and goals and priorities for each organization are developed in a mutually cooperative fashion.

Lack of disclosure regarding Friends and Foundation activities: As stated in the MOU, the Friends and Foundation are required to comply with all applicable provisions of the San Francisco charter and Administrative Code, including the newly revised "Sunshine Ordinance". Also, through the Ordinance which accompanies the MOU, the Library is required to report to the Controller and to the Clerk of the Board of Supervisors, on an annual basis, a listing of the gifts accepted by the Library from the Friends and Foundation and a summary of how those gifts were expended by the Library. The Friends and Foundation comply with all legal requirements applicable to a non-profit 501/c/3 corporation. The Friends and Foundation Board meetings are held in the Main Library and are open to the public. The Board meeting times and dates are posted on the website of the Friends and Foundation. Meeting minutes are available to anyone upon request.

Library staff has met with representatives of SEIU, Local 790, regarding their concerns about the MOU and is providing members of the Finance Committee with a detailed response to those concerns. I would like to note the following specific items.

Use of Library membership list for solicitation mailings (Section 1.7): The Union voiced concern regarding this issue and I have reviewed it with closely with the City Attorney. According to the City Attorney, Section 1.7 provides that solicitation materials, as well as all other written communications, from the Friends and Foundation to Library members are subject tot he City Librarian's prior approval. As part of this approval

power, the City Librarian may withhold approval of solicitation material mailings to patrons who expressly request not to receive such materials.

Notice of terms of pledges and gifts (Section 1.5): The Union voiced concern regarding this section in that they believed that the proposed language does not give the City Librarian the authority to refuse pledges or gifts. Again, according to the City Attorney, the proposed MOU gives the City Librarian the authority to accept gifts, but it does not oblige the Library to accept any gift. Also, the City Librarian must receive approval from the Board of Supervisors to receive individual gifts in excess of $25,000.

The Union also voiced concerns regarding accessibility of information regarding the Friends and Foundation operations and activities. Those concerns are addressed under the previous section in this document, "lack of disclosure regarding Friends and Foundations activities".

July 12, 2000

San Francisco Public Library

TO: Severin Campbell, Budget Analyst
Budget Analyst's Office

FR: Susan Hildreth, Acting City Librarian SH

RE: PROPOSED AMENDMENT TO CCSF ADMINISTRATIVE CODE

The Public Library has enjoyed a longstanding and beneficial relationship with the Friends of the San Francisco Public Library and the Library Foundation of San Francisco. Last year these two entities merged into a single organization – the Friends & Foundation of the San Francisco Public Library – which continues to provide substantial financial support for Library programs and activities through private gifts, donations, and bequests. The public/private partnership fostered through the years between the Public Library and the Friends & Foundation has greatly benefited the Library, the City, and the public who use the Library's services. The proposed amendment to the Administrative Code would provide the following three benefits:

1. Facilitate timely implementation of activities funded through gift funds received from the Friends & Foundation.

2. Reduces the Library's administrative processing of various small gifts provided by the Friends & Foundation without compromising the need for public disclosure of funds received and spent.

3. Reduces administrative workload for the Board and its committees by eliminating the need to refer routine matters to the Board for consideration. This will be accomplished without diminishing the Board's oversight responsibility through annual reporting by the Library on gifts received from the Foundation that are less than $25,000.

We appreciate your review and strongly urge your support for this amendment.

Item 3 - File 00-1229

Department: Port
Police Department

Item: Ordinance amending Article 23 of the San Francisco Municipal Code (Police Code), "Regulation for Port Area, Section 16.12, Non-compliance with Orders of the Commission as Misdemeanor" to allow violations to be charged either as a misdemeanor or an infraction with monetary fines.

Description: Currently, the Police Code, Article 23, "Regulation for Port Area, Section 16.12, Noncompliance with Orders of the Commission as Misdemeanor" imposes only criminal misdemeanor penalties for violations of Port rules regulating the harbor and vessels. The proposed amendment to Article 23, Section 16.12 of the Police Code would allow such violations to be charged either as misdemeanors or as civil infractions punishable with monetary fines.

Under the proposed ordinance, violations charged as an infraction would be punishable for the first offense by a fine of not less than $50 nor more than $100, and for a second offense and each additional offense, by a fine of not less than $150 nor more than $250.

For misdemeanors, the current Police Code does not define the level of punishment or related fines. The subject ordinance would thus also amend Article 23, Section 16.12 to specify that individuals convicted of misdemeanors shall be punished by a fine of not more than $500 or by imprisonment in the County Jail for a period of not more than six months, or by both a fine and imprisonment.

Comments: 1. According to Mr. John Davey, Chief Wharfinger of the Port, the subject ordinance would apply only to the violation of regulations that fall under the Port Commission's jurisdiction (See Comment No. 2 below). Mr. Davey advises that a variety of State and Federal agencies have jurisdiction over the Bay, including the United States Coast Guard, the State Department of Fish

and Game and the State Department of Boating and Waterways. The Police Department's Marine Unit enforces Port Commission regulations in the Bay.

2. The subject ordinance states that the proposed amendment to Article 23, Section 16.12 of the Police Code, to allow violations of Port regulations to be charged as an infraction with monetary fines would apply to "[e]very master, agent, or owner of any vessel, who does not obey the lawful orders or directions of the [Port] Commission in any matter pertaining to the regulations of the harbor, or the removal or stationing of any vessel." According to Mr. Neil Sekhri of the City Attorney's Office, Article 23 of the Police Code already authorizes the Police Department to enforce Port regulations included in the Port Code, as well as additional Port Commission regulations related to the harbor and vessels not included in the Port Code. Mr. Sekhri advises that the Port Code already states that any violations of Port Code regulations can be cited as either an infraction or a misdemeanor. However, as the Police Code is currently written, Port Commission regulations not included in the Port Code can only be charged as a misdemeanor. Therefore, the subject amendment to the Police Code extends the option to cite violations as either an infraction or a misdemeanor to Port Commission regulations not included in the Port Code. According to Mr. Sekhri, examples of the regulations that would fall under the subject ordinance include certain restrictions on boat speed and mooring vessels.

3. According to Mr. Davey, the proposed infraction provision with monetary fines would allow the Police Department more flexibility in enforcing Port Commission regulations. Mr. Davey advises most violations of Port Commission regulations, such as mooring in an unauthorized location or speeding in restricted zones, do not warrant a criminal misdemeanor charge, which would require a notice to appear in court. Therefore, Police Officers assigned to the Police Department's Marine Unit often do not have the option to cite an individual with a charge appropriate for that individual's violation, according to Mr. Davey. For example, if a Police Officer discovers a boat mooring at an unauthorized site at the Port, the Police Officer has two options: either verbally

warn the boat-owners that they have violated Port regulations and ask the owners to move their vessel, or cite the individuals with a criminal misdemeanor. Mr. Davey advises that the subject ordinance would additionally allow Police Officers a third, and often more appropriate, option: to cite the boat-owners with an infraction and a fine.

4. According to Mr. Davey, the Port is unable at this time to provide estimates for increased revenue resulting from the fines to be imposed by the proposed amendment to the Police Code, Article 23, Section 16.12. As stated previously, the proposed ordinance would charge a fine for infractions of $50 to $100 for the first offense, and $150 to $250 for each additional offense. Mr. Davey advises that since the Police Code currently does not allow the Police Department's Marine Unit to issue infractions for violations covered under the proposed ordinance, the Police Department has no historical data on which to base such a revenue projection. However, Mr. Davey advises that the Port did not propose the subject ordinance to impose fines as a means to increase revenue, but rather to serve as a deterrent to willfully negligent acts, and to allow Police Officers assigned to the Port more flexibility in the way that they charge willfully negligent acts.

5. The subject amendment to Article 23, Section 16.12 of the Police Code states that the District Attorney shall determine whether each violation should be charged as a misdemeanor or an infraction. According to Mr. Jerry Coleman of the District Attorney's Office, the District Attorney's Office would review all violations to determine whether or not the District Attorney's Office should press charges. Mr. Coleman advises that this is standard practice for the District Attorney's Office and that the subject ordinance should not significantly increase their workload. According to Mr. Coleman, individuals charged with an infraction under the proposed amendment would maintain all standard rights for appeal provided under the City's Penal Code.

6. As stated previously, the proposed ordinance would charge a fine for infractions of $50 to $100 for the first offense, and $150 to $250 for each additional offense.

According to Mr. Davey, the Port will coordinate with the Police Department and the District Attorney's Office to create a schedule setting forth specified fines for each infraction that falls under the proposed ordinance.

7. Mr. Davey advises that the subject amendment to the Police Code corresponds to several additional changes to Port Commission regulations. In an effort to better regulate activities around the new China Basin Ferry Terminal located at Pacific Bell Park, the Port Commission amended the Port Commission's regulations on May 30, 2000 (Resolution No. 00-37) in order to: (1) prohibit embarking or disembarking of persons on or immediately in front of ferry terminals without prior consent from the Port; (2) prohibit mooring of vessels on or immediately in front of ferry terminals without prior consent from the Port; and, (3) limit vessel speeds in China Basin to no more than five nautical miles per hour (5 knots). The proposed amendment to include an infraction provision in the Police Code, Article 23, Section 16.12, would apply to all three of the above new regulations, as well as to existing Port Commission regulations.

8. According to Sergeant Danny Lopez, Officer in Charge of the Police Department's Marine Unit, the Police Department supports the proposed ordinance. Sergeant Lopez advises that proposed ordinance would allow Police Officers much-needed flexibility in their ability to enforce Port Commission regulations.

Recommendation: Approve the proposed ordinance.

Item 4 – File 00-1254

Department: Airport

Item: Resolution concurring with the Controller's certification that Airport Information Booth Services at San Francisco International Airport can continue to be practically performed by a private contractor at a lower cost than if work were performed by City and County employees.

Services to be Performed: Airport Information Booth Services

Description: The Airport Information Booth Services Program, which is operated daily from 8 a.m. to 1 a.m., was established by the Airport in 1990 to provide centralized locations for the purpose of (a) providing information to air passengers regarding Airport facilities and services, available ground transportation services, regional hotel accommodations, and visitor services and events; and (b) selling transit passes for regional public transportation systems to employees. The Airport currently has a total of five information booths on the Arrival Level of the existing three terminals at the Airport. Currently, there are two booths in the North Terminal, two booths in the South Terminal, and one booth in the International Terminal. Beginning August 15, 2000, two new booths will be added to the New International Terminal, and on September 26, 2000, operation of the booth in the old International Terminal will be discontinued. This will leave the Airport with a total of 6 information booths.

Polaris Research and Development, Inc., a private contractor, has provided information booth services to the Airport since the establishment of the program in 1990.

Charter Section 10.104 provides that the City may contract with private firms for services that can be practically performed for a lower cost than similar work by City and County employees.

The Controller has determined that contracting for the Airport Information Booth Services at the Airport for FY 2000-2001 would result in estimated savings as follows:

City-Operated Service Costs	Lowest Salary Step	Highest Salary Step
Salaries	$1,831,187	$2,158,000
Fringe benefits	517,470	568,790
Total	$2,348,657	$2,726,790
Contractual Service Cost[1]	1,623,281	1,624,656
Estimated Savings	$ 725,376	$1,102,134

Comments:

1. The Airport reports that Airport Information Booth Services were first certified as contractual services as required under Proposition J (Charter Section 10.104) in 1990, and have been continuously provided by an outside contract since then.

2. Ms. Beth Mingle of the Airport reports that the current Airport Information Booth Services Program contract with Polaris Research and Development, Inc. began on October 15, 1995. The contract term was for one year, with four annual renewals up to a maximum term of five years. The original contract, including the four annual renewals, will expire on October 14, 2000. According to Ms. Mingle, at the end of the current one-year renewal period on October 14, 2000 the Airport plans to extend the contract with Polaris for one additional twelve-month period from October 15, 2000, through October 14, 2001. According to Ms. Mingle, prior to the contract extension period ending on October 14, 2001, the Airport will conduct a competitive selection for operation for the Information Booth Services. Ms. Mingle states that the current contract with Polaris is being extended for one additional year because delays in the opening of the new International Terminal could potentially have resulted in a new contractor commencing operation of the booths at the same time as the opening of the new International

[1] Contractual Service Costs include high and low estimates of contract monitoring expenses by airport staff, according to Mr. Joe Matrenga of the Controller's Office.

Terminal. Ms. Mingle states that the Airport preferred to avoid this complication.

3. The Contractual Services cost used for the purpose of this analysis is based on the current contractor's costs to provide Information Booth Services for the twelve-month period from October 15, 2000 through October 14, 2001.

4. The maximum FY 2000-01 Contractual Services Cost of $1,624,656 is $62,449, or 4 percent, more than the FY 1999-2000 cost of $1,562,207. The minimum FY 2000-01 Contractual Services Cost of $1,623,281 is $61,074, or approximately 4 percent more than the FY 1999-2000 cost.

5. The Controller's supplemental questionnaire, with the Department's responses, is attached to this report.

Recommendation: Approve the proposed resolution.

BOARD OF SUPERVISORS
BUDGET ANALYST

CHARTER 10.104.15 (PROPOSITION J) QUESTIONNAIRE

DEPARTMENT: SFIA Landside Operations
CONTRACT SERVICES: Airport Information Booth Program
CONTRACT PERIOD: October 15, 2000 - October 14, 2001

(1) **Who performed the activity/service prior to contracting out?**
Polaris Research and Development has performed these services since the program's inception in 1990. Airport Commission Resolution No. 99-0388 modifies the existing contract by extending the term of the contract for one additional renewal option through October 14, 2001.

(2) **How many City employees were laid off as a result of contracting out?**
None.

(3) **Explain the disposition of employees if they were not laid off.**
N/A

(4) **What percentage of City employees' time is spent on services to be contracted out?**
Approx. 10%.

(5) **How long have the services been contracted out? Is this likely to be a one-time or an ongoing request for contracting out?**
Services have been contracted out since program inception on October 15, 1990. This will be an ongoing request for contracting out.

(6) **What was the first fiscal year for a Proposition J certification? Has it been certified for each subsequent year?**
It was first certified in Fiscal Year 1990/91; it has been certified each subsequent year.

(7) **How will the services meet the goals of your MBE/WBE Action Plan?**
The firm is registered as a large local MBE firm with the Human Rights Commission. The contractor is required to demonstrate "best efforts" to achieve at least a 20% goal to utilize local MBEs and WBEs as subcontractors, vendors and suppliers.

(8) **Does the proposed contract require that the contractor provide health insurance for its employees? Even if not required, are health benefits provided?**
Although the contract does not require that the Contractor provide health benefits, the Contractor does offer a full benefits package to employees including health and disability coverage, life insurance, sick leave and vacation pay. The Contractor also provides a 401K retirement program for employees.

(9) **Does the proposed contractor provide benefits to employees with spouses? If so, are the same benefits provided to employees with domestic partners? If not, how does the proposed contractor comply with the Domestic Partners ordinance?**
Polaris provides benefits to employees with spouses and offers these benefits to domestic partners.

Department Representative: Alice Sgourakis
Telephone Number: (650) 821-6516

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Item 5 - File 00-1289

Department:	Department of Real Estate (DRE) Department of Parking and Traffic (DPT)
Item:	Resolution authorizing a new lease of real property at 10th and Bryant Streets for the Department of Parking and Traffic.
Location:	10th and Bryant Streets
Purpose of Lease:	Rental of surface parking lot
Lessor:	State of California
Lessee:	City and County of San Francisco
Square Footage:	12,176 square feet
Cost Per Month:	$1,500
Annual Cost:	$18,000 ($1.48 per square foot)
Term of Lease:	Six months with six-month option to extend, for a total of one year. According to Ms. Claudine Venegas of DRE, the expected commencement date would be September 1, 2000 and would continue through August 31, 2001 if both parties exercise the option to extend.
Right of Renewal:	Ms. Venegas states that the lease would be renewable each year for six months, with a six month option to extend, subject to Board of Supervisors approval.
Utilities and Maintenance:	The City will be responsible for utilities and maintenance.
Source of Funds:	FY 2000-01 DPT budget
Description:	DPT proposes to use the surface parking lot at 10th and Bryant Streets as a secondary staging area for the Parking Enforcement Division. According to DPT, the current Parking Enforcement Division location at 505 7th Street is overcrowded and can not accommodate 24 additional Parking Control Officer (PCO) staff included in the FY 2000-01 budget. Two trailers would be located at the

subject site to be used for locker room and office space for PCO staff. In addition to the two trailers, the subject parking lot would contain 10 parking spaces to be used for DPT vans and Cushman carts currently parked at the parking lot on 6th Street between Townsend and Brannan Streets. According to Ms. Julia Dawson of DPT, the parking lot at 6th and Townsend Streets, which is leased from the State Caltrans, is over capacity, and some of the DPT vehicles which are located at that site are required to park on the street

Comments:

1. According to Ms. Venegas, the proposed rent of $1,500 monthly, or $18,000 annually, for 12,176 square feet of surface parking lot represents fair market value. Ms. Venegas states that the City currently has 7 leases with Caltrans for surface parking lots and that the subject lease represents the standard lease agreement between the City and Caltrans.

2. According to Ms. Dawson, DPT included $21,800 in the FY 2000-01 budget for utilities and the lease of two trailers to be used at the subject site.

3. Ms. Dawson states that Caltrans seismic retrofitting work to the base of the Bay Bridge and the construction of a new temporary road bed located near 2nd Street between Bryant and Harrison Streets, which will take approximately 6 years to complete, will change traffic flow in the surrounding area. Ms. Dawson advises that some of the PCO staff and vehicles to be located at the proposed new 10th and Bryant Streets site would be assigned to mitigate traffic congestion resulting from such changes. As shown in the attached memorandum (Attachment), provided by Ms. Dawson, the Caltrans retrofit work was scheduled to begin in September of 2000 but has been delayed until May of 2001. According to Ms. Dawson, DPT is currently negotiating with Caltrans to determine the amount that Caltrans will pay to the City for the cost of PCO staff to mitigate traffic congestion resulting from the Bay Bridge seismic retrofitting work.

Recommendation: Approve the proposed resolution.

Attachment

SAN FRANCISCO
DPT
DEPARTMENT OF PARKING & TRAFFIC

City and County of San Francisco

WILLIE LEWIS BROWN, JR., Mayor
FRED M. HAMDUN, EXECUTIVE DIRECTOR

MEMORANDUM

To: Budget Analyst, Board of Supervisors

From: Julia Dawson, Deputy Director, Administration and Finance

Through: Fred M. Hamdun, Executive Director

Subject: Lease of Real Property at 10th and Bryant and Caltrans Retrofit

Date: July 27, 2000

The Department of Real Estate has submitted on behalf of the Department of Parking and Traffic a resolution authorizing the lease of real property at 10th and Bryant. The department intends to use this location as a secondary staging area for our Parking Enforcement Division. Originally, we had planned to use the 10th and Bryant lot as a place to locate the additional officers who will be needed to perform traffic control duties for the Caltrans Bay Bridge retrofit project. The retrofit project was originally scheduled to begin in September 2000 but Caltrans has delayed the project until May 2001.

In the FY 2000/01 budget, the department received 27 new positions for its Enforcement Division, 24 of which are Parking Control Officers. Our current Enforcement location at 505 7th Street is overcrowded and the division does not have sufficient locker room and office space to house the new positions. As a result, our department plans to use the 10th and Bryant site to house these additional officers.

Item 6 – File 1298

Department: Mayor's Office of Housing (MOH)

Item: Resolution authorizing the issuance and delivery of Multifamily Housing Revenue Bonds in an aggregate principal amount not to exceed $17,000,000 for the purpose of refunding bonds previously issued to provide financing for a multifamily rental housing project; authorizing the sale of the bonds; approving the form of and authorizing the execution of: (1) an indenture providing the terms and conditions of the bonds; (2) the bond purchase agreement providing the terms and conditions for the sale of the bonds; (3) an amended and restated regulatory agreement and declaration of restrictive covenants; (4) a financing agreement; (5) a remarketing agreement; approving the form of and authorizing the preparation and distribution of a preliminary official statement and the preparation, execution and distribution of an official statement relating to the bonds; approving the form of and authorizing the execution and delivery of any document necessary to implement this resolution; ratifying and approving any action heretofore taken in connection with the bonds, the project and the refunding of the prior bonds: and related matters.

Amount: Not to exceed $17,000,000

Description: In 1985, the Housing Authority financed the construction of a 248-unit multifamily rental housing development known as the Post Street Towers located at 737 Post Street ("the Project"), with the issuance of $27,000,000 in Multifamily Housing Revenue Bonds, and made a loan of the net proceeds to a company called Metro-Post (See Comment No. 4). According to Mr. Joe LaTorre of the Mayor's Office of Housing (MOH), the current outstanding debt on the $27,000,000 in prior 1985 bonds is approximately $17,000,000. The Post Street Towers is a 20 percent affordable housing development project (50 of the total 248 units are below-market rate rentals for low-income households). (See Comment No. 8 below for

definitions of "affordable" housing and "low-income" households.)

The subject resolution would authorize the City to issue Multifamily Housing Revenue Bonds ("Refunding Bonds") in an amount not to exceed $17,000,000 to refinance, or "refund," the prior 1985 Revenue Bonds issued by the Housing Authority. According to Mr. LaTorre, MOH expects to issue the entire $17,000,000 in tax-exempt Refunding Bonds.

The City's authority to issue the proposed $17,000,000 in Refunding Bonds comes from Article I, Chapter 43 of the Administrative Code, entitled the Residential Mortgage Revenue Bond Law, and Section 9.107 of the Charter. These provisions authorize the City to incur bonded indebtedness for the purpose of financing or refinancing housing mortgages (see Comment No. 1). Therefore, the City can issue Refunding Bonds to provide funding to develop or refinance low- and moderate-income multi-family rental housing and to provide below-market rate mortgages for low- to moderate-income first-time home buyers. Bondholders of these Refunding Bonds are paid from the revenues generated from rental housing projects or the repayment of single-home mortgages. According to Ms. Michelle Sexton of the City Attorney's Office, these mortgage Refunding Bonds do not require the City to pledge repayment of the bonds, and the City has no legal liability with respect to the repayment of the Refunding Bonds. With rental developments, the bondholders' have only two forms of recourse for payment: (1) the project rental revenues, and (2) credit enhancement (such as bond insurance or letters of credit) held by project developers, provided by private parties.

The prior 1985 Revenue Bonds were issued with a 22-year term at a variable interest rate, with a final payment date of December 1, 2007. MOH plans to issue the proposed $17,000,000 in tax-exempt Refunding Bonds with a 30-year term, also at a variable interest rate, with a final payment date of December 1, 2030.

Comments:

1. According to Ms. Sexton, Chapter 43 of the Administrative Code and Section 9.107 of the Charter

provide the City authority to issue the proposed $17,000,000 in Refunding Bonds. Ms. Sexton advises that Section 9.109 of the Charter, which authorizes the City to issue Refunding Bonds, does not apply to the subject resolution, because Section 9.109 only authorizes the City to issue Refunding Bonds to refinance General Obligation Bonds and Revenue Bonds *issued by the City*. As stated previously, the prior 1985 Revenue Bonds were not issued by the City, but by the Housing Authority. Therefore, Ms. Sexton advises that the proposed $17,000,000 should be treated as new City Revenue Bonds, authorized under Chapter 43 of the Administrative Code and Section 9.107 of the Charter.

2. According to Ms. Sexton, because the proposed $17,000,000 in Revenue Bonds do not fall under Section 9.109 of the Charter authorizing Refunding Bonds, as stated in Comment No. 1 above, the proposed $17,000,000 in Revenue Bonds are not required to meet the requirement, stated in Section 9.109 of the Charter, that the issuance and sale of Refunding Bonds "...result in net debt service savings to the City and County on a present value basis."

3. Mr. LaTorre reports that the property owners have been working with the underwriting firm of Newman and Associates to structure this project to receive new credit enhancement in the form of loan guarantees from Freddie Mac. Mr. LaTorre advises that the Freddie Mac loan guarantees would guarantee payment of the bonds over the 30-year life of the bonds, providing the property owners with security they did not have previously. According to Mr. LaTorre, under the terms of the Refunding Bonds, Freddie Mac's credit enhancement will enable the bonds to receive a credit rating of AAA from Standard and Poor's. Mr. LaTorre advises that the current 1985 Revenue bonds have a lower rating of AA/A-1+ from Standard and Poor's. The improved credit rating could potentially help the City to secure a lower interest rate for the proposed Refunding Bonds. However, such a lower interest rate would benefit the owners of the property and not the City, because, as stated by the City Attorney's Office, the City has no legal liability with respect to repayment of the proposed Refunding Bonds.

<u>BOARD OF SUPERVISORS</u>
BUDGET ANALYST

Furthermore, according to Mr. LaTorre, since both the existing 1985 Revenue Bonds and the proposed Refunding Bonds have variable interest rates, which fluctuate weekly, the proposed Refunding Bonds may not result in any debt service savings over the 30-year term of the bonds. Mr. LaTorre advises that even without any debt-service savings, issuing the proposed $17,000,000 in Refunding Bonds would still benefit the property owners by allowing the owners to gain improved credit enhancement and bond ratings. Mr. LaTorre advises that the proposed Refunding Bonds would also benefit the City by extending the term of the 50 affordable housing units in the Post Street Towers by eight to 23 years (see Comment No. 7 below).

4. According to Mr. LaTorre, the subject property was originally owned by a developer known as Metro-Post. As stated the Attachment, provided by MOH, the development experienced financial difficulties in the early 1990s and was foreclosed by its original loan servicer, First Interstate Bank, and sold to Springview of California, Inc. In 1997, Springview of California, Inc. sold the property and development to its current joint owners: Whitecliff I Apartments Ltd., R. Ryder Construction, Inc., and L&R Associates-SF, LLC. According to MOH, and as stated in the Attachment, the development is financially healthy and the property owners now owe $17,000,000 of the original $27,000,000 in Revenue Bonds.

5. According to Mr. LaTorre, MOH expects to issue the proposed $17,000,000 in Refunding Bonds in late August of 2000. Neither the interest rate nor the final bond amount would be able to be set until the bonds are priced immediately before closing. Furthermore, the proposed Refunding Bonds would have a variable interest rate, which fluctuates once a week. According to Mr. LaTorre, the entire $17,000,000 in proposed Revenue Bonds would qualify as tax exempt. The subject resolution states that these tax-exempt bonds may not be issued initially at an interest rate that exceeds 8 percent. Mr. LaTorre advises that if the bonds were issued at this time, the tax-exempt bonds would have an estimated interest rate of 4.25 percent.

6. Mr. LaTorre reports that principal and interest payments on the prior 1985 Bonds are paid every three months, with the next payment due on September 1, 2000. As noted above, MOH expects to issue the proposed Revenue Bonds in late August of 2000. Mr. LaTorre reports that in order to defease[1] the prior bonds on September 1, 2000, this subject resolution must be approved by the Finance Committee, adopted by the full Board of Supervisors, signed by the Mayor and the transaction closed prior to September 1, 2000. According to Mr. LaTorre, if the City does not meet these deadlines, retirement of the prior 1985 Bonds and issuance of the subject Refunding Bonds at the next interest payment date (December 1, 2000) would be contingent upon negotiations with Freddie Mac, the property developer, the underwriter, and other parties to extend approvals and agreements currently in place.

7. Mr. LaTorre notes that the MOH also has a 22-year agreement with the developer of the Post Street Towers to maintain affordability standards, which will expire in 2007 when the existing 1985 Revenue Bonds mature. Mr. LaTorre advises that these affordability standards require the owners of the Post Street Towers to offer 20 percent of the rental units, or 50 of the 248 total units, at a below-market rate for low-income tenants (see Comment No. 8 below). Once the original 1985 Revenue Bonds have been paid off in 2007, the regulatory agreement on the development would expire, and the owners of Post Street Towers would be free to convert the 50 below-market rate units to market rate. Mr. LaTorre advises that under the terms of the proposed Refunding Bonds, the property owners have agreed to extend the below-market rate restrictions for the life of the new bonds, now scheduled to mature in 2030. Even if the bonds were paid off early, the developers would be required to maintain the 50 below-market rate units until 2015. Therefore, Mr. LaTorre reports, the primary benefit to the City of issuing the subject Refunding Bonds is the extension of affordability on the 50 below-market rate units by anywhere from

[1] Defeasance is the term used to describe the termination of all rights and interests of the bondholders upon final payment of all debt service, in the manner required by the terms and conditions of the bond resolution.

eight to 23 years (from 2007 until 2015 at the earliest or 2030 at the latest).

8. According to Mr. LaTorre, the affordability of the 50 below-market rate units at Post Street Towers is defined by the Federal Tax Code as units affordable to households designated "low-income and below" by the Federal Department of Housing and Urban Development (HUD). HUD considers "low-income" to be approximately 75 percent of the metropolitan statistical area median income. Mr. LaTorre advises the median income in the metropolitan statistical area for the year 2000 is $74,900, and that qualifying households in San Francisco must earn no more than $40,800 for a one-person household, no more than $46,650 for a two-person household, no more than $52,500 for a 3-person household, and no more than $58,300 for a 4-person household. According to Mr. LaTorre, the current monthly rent on the 50 affordable units in the Post Street Towers is $1,020 for 30 studios, $1,166 for 12 one-bedroom units, and $1,312 for 8 two-bedroom units.

9. According to Mr. LaTorre, the owners of the subject property are paying for all costs of issuing the Refunding Bonds, including bond counsel, financial advisor fees and City Attorney costs. In addition, Mr. LaTorre advises that the property owners will reimburse MOH for reviewing and preparing documents relating to the subject bonds. Mr. LaTorre reports that property owners have not yet supplied to MOH the total cost to the property owners of issuing the Refunding Bonds. According to Mr. LaTorre, MOH will deposit any fees it receives for these services into the Housing Program Fees Fund, established by Administrative Code 10.117-100, to be used for administrative expenses in accordance with the requirements of the Administrative Code.

10. According to Mr. LaTorre, and as stated in the Attachment, since 1985, the City has issued a total of $103 million in Multifamily Housing Revenue Bonds. These bonds have provided funds for below-market rate mortgages to developers of rental housing, with a portion of the units reserved for low-income households. Mr. LaTorre reports that since 1985, the program has

financed the development of 1,245 rental units in the City, including 315 units, or 25 percent, reserved for low-income households.

11. According to Mr. LaTorre, and as stated in the Attachment, the bonds and related documents state clearly that the bondholders may only look to the revenues of the project the and the credit enhancement provider for payments of the principal and interest on the bonds. Therefore, as stated by the City Attorney's Office, the City will not be directly or indirectly liable for payments on the subject bonds.

12. In summary, the Budget Analyst notes that: (1) the City would issue the proposed $17,000,000 in Mortgage Revenue Refunding Bonds, however, the property owners, not the City, would repay the bonds using mortgage revenues; (2) the City Attorney's Office states that the City has no legal liability with respect to the repayment of the Refunding Bonds; (3) approval of the proposed Refunding Bonds would extend affordable housing for 50 units in the Post Street Towers by eight to 23 years; and (4) the property owners would benefit from the proposed Refunding Bonds by receiving an improved bond rating from Standard and Poor's, by receiving credit enhancement in the form of loan guarantees from Freddie Mac, and therefore providing the property owners with additional security and potentially lower interest rates on their bond debt.

Recommendation: Approve the proposed resolution.

Harvey M. Rose

Supervisor Yee
Supervisor Bierman
President Ammiano
Clerk of the Board
Controller
Steve Kawa

MAYOR'S OFFICE OF HOUSING
CITY AND COUNTY OF SAN FRANCISCO

WILLIE LEWIS BROWN, JR.
MAYOR

MARCIA ROSEN
DIRECTOR

MEMORANDUM

July 12, 2000

To: The Honorable Leland Yee, Chair, Finance and Labor Committee
The Honorable Tom Ammiano, Board President
The Honorable Sue Bierman

From: Marcia Rosen MR

Subject: Resolution Authorizing Issuance of Multifamily Housing Revenue Refunding Bonds (Post Street Towers)

Requested Action: The Mayor's Office of Housing respectfully requests consideration of the attached resolution authorizing issuance of Multifamily Housing Revenue Refunding Bonds for Post Street Towers by the Finance and Labor Committee on Wednesday, July 26, 2000.

Background: Since 1985, the City and County of San Francisco has issued a total of $103 million in Multifamily Housing Revenue Bonds. These bonds provided funds for below-market rate mortgages to developers of rental housing, with a portion of the units reserved for low income households. Since 1985, the program has financed development of 1,245 rental units in the City, including 315 units reserved for low income households.

In general, repayments of these mortgages are used to make principal and interest payments on the bonds. The bonds are not "full faith and credit" obligations of the City and County of San Francisco; bondholders are guaranteed payment only from the mortgage revenues.

This resolution authorizes the City to re-issue bonds originally issued by the San Francisco Housing Authority in 1985 for the financing of the Post Street Towers apartments at 737 Post Street. The property is a 248 unit building, with 50 units (20% of the total) set aside as below-market rate rentals. The development was completed in 1988.

The current owner of the property is a partnership of Whitecliff I Apartments Ltd., R. Ryder Construction, Inc., and L&R Associates-SF, LLC. The development experienced financial difficulties in the early 1990s and was foreclosed by its original lender, First Interstate Bank, and sold to Springview of California, Inc., who in turn sold it to the current owners in 1997. The property now has only $17,000,000 of the original $27,000,000 in bonds outstanding, and is financially healthy.

The owners have been working with the underwriting firm of Newman and Associates to

Multifamily Housing Revenue Refunding Bonds (Post Street Towers)
July 12, 2000
Page 2

structure this project to receive new credit enhancement from Freddie Mac. Under the terms of the refunding bonds, Freddie Mac's credit enhancement will enable the bonds to receive a credit rating of AAA from Standard and Poor's. The owners are paying all costs of the transaction: bond counsel and financial advisor fees, and the City Attorney costs.

The current bonds on the property mature and would be fully paid off in 2007. At that time, the regulatory agreement on the development would expire, and the owner would be free to convert the 50 below-market rate units to market rate. Under the terms of the refunding, the owners agree to extend the below-market rate restrictions for the life of the new bonds, now scheduled to mature in 2030. Even if the bonds are paid off early, the below-market rate units must be maintained until 2015. The primary benefit to the City is, therefore, the extension of affordability on the below-market rate units beyond 2007.

<u>Fiscal Impact:</u> The bonds and related documents clearly state that the bondholders may look only to the revenues of the project and to the credit enhancement provider for payments of principal and interest on the bonds. Therefore, the City will not be directly or indirectly liable for payments on the bonds.

The costs of issuing the refunding bonds will be paid by the owners of the property. These costs will include the costs of the City Attorney's office and of the Mayor's Office of Housing for reviewing and preparing documents and other actions relating to the transaction. Funds received by the Mayor's Office of Housing will be deposited into the Housing Program Fees Fund established by Administrative Code 10.117-100, to be used for administrative expenses in accordance with the requirements of the Code.

<u>Additional Information:</u> The resolution will be introduced at the Board of Supervisors on Monday, July 17, 2000. Bond related documents to be approved by reference in the resolution are included in the file. Please contact Joe LaTorre of the Mayor's Office of Housing at 252-3188 if you have any questions.

Cc: Harvey Rose, Budget Analyst
Susan Leal, Treasurer
Ed Harrington, Controller

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Wednesday, August 09, 2000 | **10:00 AM** | **City Hall, Room 263**

'00

Regular Meeting

Members Present: Leland Y. Yee, Sue Bierman, Tom Ammiano.

Meeting Convened

The meeting Convened at 10:08 a.m.

001337 **[Amending the Health Code to establish patient rates for services effective July 1, 2000]**

Ordinance amending Part II, Chapter V, of the San Francisco Municipal Code (Health Code) by amending Section 128 thereof, to fix patient rates for services furnished by Department of Public Health, retroactively to July 1, 2000. (Public Health Department)

7/19/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Monique Zmuda, Chief Financial Officer, Department of Public Health.

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001428 **[Government Funding - Rent Arbitration Board]**

Ordinance appropriating $388,412 of Rent Arbitration Board Special Revenue Funds for salaries, fringe benefits, training and professional services to improve customer service to the public and eliminate work backlog for the Rent Arbitration Board for fiscal year 2000-2001. Placing $104,079 on reserve.

7/31/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Joe Grubb, Executive Director, Rent Arbitration Board; Supervisor Yee.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

Ordinance appropriating $327,699 of Rent Arbitration Board Special Revenue Funds for salaries, fringe benefits, training and professional services to improve customer service to the public and eliminate work backlog for the Rent Arbitration Board for fiscal year 2000-2001; ratifying actions previously taken.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001264 [Increase Annual Residential Rent Ordinance Fee]

Supervisor Ammiano

Ordinance amending Administrative Code Chapter 37A "Residential Rent Stabilization and Arbitration Fee" by amending Sections 37A.2 and 37.A.6, to increase the maximum annual Residential Rent Ordinance fee from $16 to $19 per unit for fiscal year 2000-2001, and to provide that no more than $16 per unit may be passed through from the landlord to the tenant(s).

(Amends Sections 37A.2 and 37.A.6.)

7/10/00, RECEIVED AND ASSIGNED to Finance and Labor Committee

Heard in Committee. Speakers Harvey Rose, Budget Analyst, Joe Grubb, Executive Director, Rent Arbitration Board; Supervisor Yee.

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001272 [Minimum Compensation Ordinance]

Mayor, Supervisors Ammiano, Becerril, Bierman, Brown, Katz, Kaufman, Leno, Newsom, Teng, Yaki, Yee

Ordinance amending the San Francisco Administrative Code by adding Chapter 12N, encompassing Sections 12N.1 to 12N.13, to provide that a prescribed minimum level of compensation be paid to employees of contractors providing services to the City and County, to employees of their subcontractors, and to employees of tenants and subtenants on Airport property and their subcontractors; and amending Chapter 70 of the San Francisco Administrative Code by adding Section 70.11 to provide that employees of the in-home supportive services public authority be paid the specified minimum compensation.

(Adds Chapter 12N Sections 12N.1 to 12N.13; adds Section 70.11; amends Chapter 70.)

7/10/00, RECEIVED AND ASSIGNED to Finance and Labor Committee

Heard in Committee. Speakers: Supervisor Ammiano; Harvey Rose, Budget Analyst, Supervisor Yee; Erin McGrath, Mayor's Office; John Holtzman, Mayor's Office; Ken Bruce, Budget Analyst's Office; Mathew Hymel, Controller's Office, Paula Jenson, Deputy City Attorney; Jim Illig, Chair, Living Wage Task Force, Father Peter Sammon, St. Teresa's Church, Glynn Washington, Human Services Network; Walter Johnson, S.F. Labor Council; Richard Ow; Barry Hermanson, Living Wage Coalition, Mark Solomon, Michael Petrelis

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

Ordinance amending the San Francisco Administrative Code by adding Chapter 12P, encompassing Sections 12P.1 to 12P.16, to provide that a prescribed minimum level of compensation be paid to employees of contractors providing services to the City and County, to employees of their subcontractors, and to employees of tenants and subtenants on Airport property and their contractors; and amending Chapter 70 of the San Francisco Administrative Code by adding Section 70.11 to provide that employees of the in-home supportive services public authority be paid the specified minimum compensation.

(Adds Chapter 12P Sections 12P.1 to 12P.16; amends Chapter 70; adds Section 70.11.)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001299 **[Jurisdictional Transfer of Hallidie Plaza from Adm. Services to DPW]**

Resolution transferring jurisdiction of real property from the Department of Administrative Services to the Department of Public Works identified as Assessor's Block 341 Lot Nos. 13 and 14 and sub-surface area of Cyril Magnin Street between Lot Nos. 13 and 14 (Hallidie Plaza). (Real Estate Department)

7/13/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Tony DeLucchi, Real Estate Department.

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001342 **[Reserved Funds, Mayor's Office of Community Development]**

Hearing to consider release of reserved funds, Mayor's Office of Community Development (2000 Community Development Block Grant Program: File 000488 - Resolution No. 349-00), in the amount of $90,000 to fund the Lavender Youth Resource and Information Center (LYRIC) project at 127 Collingwood Street, San Francisco. (Mayor)

7/19/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Jon Pon, Mayor's Office of Community Development; Supervisor Yee.
Release of reserved funds in the amount of $90, 000 approved.

APPROVED AND FILED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001343 **[Reserved Funds, Mayor's Office of Community Development]**

Hearing to consider release of reserved funds, Mayor's Office of Community Development (2000 Emergency Shelter Grants Program: File 000486 - Resolution No. 347-00), in the amount of $15,000 for Central City Hospitality House at 290 Turk Street, and $25,000 for San Francisco Eviction Defense Collaborative at 942 Market Street. (Mayor)

7/19/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Jon Pon, Mayor's Office of Community Development.
Release of reserved funds in the amount of $40,000 approved.

APPROVED AND FILED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001305 **[Reserved Funds, Department of Public Health]**

Hearing to consider release of reserved funds, Department of Public Health, (Ordinance No. 308-98, Mangini settlement revenue), in the amount of $497,769 to fund Phase II of the tobacco prevention program. (Public Health Department)

7/13/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Monique Zmuda, Chief Finanical Officer, Department of Public Health.
Amended to release $211,190.

APPROVED AND FILED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001329 [Appointments - San Francisco Local Agency Formation Committee]

Supervisor Ammiano

Draft motion appointing three Supervisors to the San Francisco Local Agency Formation Commission, and appointing two Supervisors as alternate members.

(Under State law, the Board of Supervisors shall appoint two of its members as LAFCO members, Seats 1 and 2; and shall appoint one other member (or the Mayor) as a third LAFCO member, Seat 3. In addition, the Board shall appoint two of its members as alternates - one alternate to Seats 1 and 2, and a second alternate to the third seat.)

7/17/00, RECEIVED AND ASSIGNED to Rules Committee

8/2/00, TRANSFERRED to Finance and Labor Committee

Heard in Committee. Speakers. Supervisor Ammiano, Ted Lakey, Deputy City Attorney, Bruce Brugmann, Jeff Sheehy; Richard Ow.

Amended to add Supervisors Ammiano, Bierman and Yaki as members, and Supervisors Leno and Kaufman as alternate members.

AMENDED.

Motion appointing Supervisors Ammiano, Bierman and Yaki to the San Francisco Local Agency Formation Commission, and appointing Supervisors Leno and Kaufman as alternate members.

(Under State law, the Board of Supervisors shall appoint two of its members as LAFCO members, Seats 1 and 2; and shall appoint one other member (or the Mayor) as a third LAFCO member, Seat 3. In addition, the Board shall appoint two of its members as alternates - one alternate to Seats 1 and 2, and a second alternate to the third seat.)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001279 [Housing Emergency Declaration]

Supervisors Ammiano, Becerril, Bierman, Katz

Resolution declaring a housing emergency in the City and County of San Francisco.

7/10/00, REFERRED FOR ADOPTION WITHOUT COMMITTEE REFERENCE AGENDA AT THE NEXT BOARD MEETING

7/17/00, SEVERED FROM FOR ADOPTION WITHOUT COMMITTEE REFERENCE AGENDA Supervisor Kaufman requested this matter be severed so it could be considered separately

7/17/00, REFERRED to Finance and Labor Committee. Supervisor Kaufman requested this matter be referred to committee

Continued to August 23, 2000.

CONTINUED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001280 [Health Emergency Declaration]

Supervisors Ammiano, Becerril, Katz, Bierman

Resolution concurring with the findings of the San Francisco Mental Health Board to declare a health emergency in the City and County of San Francisco.

7/10/00, REFERRED FOR ADOPTION WITHOUT COMMITTEE REFERENCE AGENDA AT THE NEXT BOARD MEETING

7/17/00, SEVERED FROM FOR ADOPTION WITHOUT COMMITTEE REFERENCE AGENDA Supervisor Kaufman requested this matter be severed so it could be considered separately

7/17/00, REFERRED to Finance and Labor Committee. Supervisor Kaufman requested this matter be referred to committee

Heard in Committee. Speakers: Supervisor Ammiano; Tim Agar, Mental Health Board; Nancy Presson, Andrea Leong, Asian Health Task Force.

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001326 [HIV/AIDS Statistics]

Supervisor Ammiano

Hearing to inquire into the latest statistics regarding the HIV/AIDS rates.

7/17/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Supervisor Ammiano; Supervisor Leno: Dr. Mitchell Katz, Director of Health, Department of Public Health; Dr. Tom Coates, Director, AIDS Institute, UCSF; Roma Guy, President, Health Commission; Dr. Herminia Palseio; Jeff Sheehy; Shawn O'Hearn; Michael Petrelis; Hank Wilson; Dr. Virginia Cafaro; Homer Hobby, Survive AIDS; Jeff Getty; Patriclk Shaw; Mark Solomon; Ronnie Burk; Dr. Stephen Murray; Gilbert Criswell, Queer Nation; Brian Byrnes, Director, Prevention Services, S. F. AIDS Foundation; Tate Swindell, ACTUP; Rev. Yvette Flunder, Arc of Refuge; Paul Bodner; Tim Wohlfeiler; Betty Best; Larry Edmond; A. Toni Young, S. F. Planning Council.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

ADJOURNMENT

The meeting adjourned at 1:40 p.m.

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

August 3, 2000

TO: Finance and Labor Committee

FROM: Budget Analyst

SUBJECT: August 9, 2000 Finance and Labor Committee Meeting

Item 1 - File 00-1337

Department: Department of Public Health (DPH)

Item: Ordinance amending Part II, Chapter V, of the San Francisco Municipal Code (Health Code) by amending Section 128 thereof, to fix patient rates for services furnished by the Department of Public Health, retroactively to July 1, 2000.

Description: The San Francisco Municipal Code requires the City to approve an ordinance each year fixing patient rates for services provided by Department of Public Health (DPH). DPH reviews annually its charges for services and makes adjustments, when appropriate, to provide for a full recovery of costs. The proposed ordinance would set DPH patient rates for San Francisco General Hospital, Laguna Honda Hospital, Primary Care Clinics, Community Mental Health Services and Community Substance Abuse Services. The proposed rates would be retroactive to July 1, 2000.

Attachment I, provided by the DPH, compares the FY 1999-2000 patient rates with the proposed FY 2000-01 patient rates. Following a cost analysis, local rate surveys, and a review of reimbursement rates, DPH has recommended rate

increases for some services and has recommended the establishment of some new rates to ensure that the patient rates recover DPH costs. As shown in Attachment I, the proposed rate changes, as recommended by DPH, range from no change to a 92 percent increase. On average, all fees would increase by 14 percent, according to Ms. Okubo.

Ms. Okubo states that, while four of the rates are proposed to increase by at least 50 percent, those proposed increases are based on what other Bay Area health care institutions charge for similar services.

Comments:

1. According to Ms. Okubo, the Department's FY 2000-01 budget includes $28,981,588 in total patient revenues based on the patient rates shown in Attachment I, which is $723,796 or 2.5 percent greater than the FY 1999-2000 revenues of $28,257,792.

Ms. Okubo states that DPH's FY 2000-01 budget is based on projected reimbursement from private insurance at the proposed patient rates contained in this ordinance. DPH has been billing for health care services at the increased rates shown in Attachment I since July 1, 2000, according to Ms. Okubo.

2. Ms. Okubo states that the proposed patient rates (a) are comparable to the rates charged by other Bay Area health care institutions, (b) achieve consistency within DPH and the Community Health Network, and (c) provide for the recovery of DPH costs.

3. According to Ms. Okubo, this ordinance was not submitted to the Board of Supervisors prior to the approval of the DPH FY 2000-01 budget because the survey of Bay Area rates needed to be revised in late June. Additionally, Ms. Okubo states that the Department had to prepare for a number of hearings in June, and that delayed finalization of the Bay Area rate survey.

Recommendation: Approve the proposed ordinance.

DEPARTMENT OF PUBLIC HEALTH
PROPOSED PATIENT RATES
FY 00-01

TYPE OF SERVICE	UNITS OF SERVICE	CURRENT RATE FY 99-00	PROPOSED RATE FY 00-01	PERCENT CHANGE
COMMUNITY HEALTH NETWORK				
San Francisco General Hospital				
Supplies & Drugs	Unit	Special Price List		
In-Patient Care				
Medical Surgical	Day	1,130	1,350	19%
Intensive Care	Day	2,600	2,950	13%
Intensive Care - Trauma	Day	3,300	3,300 *	0%
Coronary Care	Day	2,600	2,950	13%
Chest-Pulmonary	Day	2,600	2,950	13%
Stepdown Units	Day	1,700	2,000	18%
Pediatrics	Day	1,130	1,350	19%
Obstetrics	Day	1,130	1,350	19%
Nursery				
New Born	Day	750	850	13%
Observation/Well Baby	Day	1,130	1,350	19%
Semi-Intensive Care	Day	1,700	2,000	18%
Intensive Care	Day	2,600	2,950	13%
Labor/Delivery - 6G	Day	1,130	1,350	19%
Labor/Delivery Hours of Stay	Hour	65	70	8%
Psychiatric Inpatient	Day	1,130	1,350	19%
Psychiatric Forensic Inpatient - 7L	Day	1,130	1,350	19%
AIDS Unit - 5A	Day	1,130	1,350	19%
Security Unit - 7D	Day	1,130	1,350	19%
Skilled Nursing Facility	Day	450	500	11%
Mental Health Rehab. SNF	Day	450	500	11%
Surgical Services				
Minor Surgery Pre-Op Holding Room	Room	137	155	13%
Minor Surgery I (Come & Go)	1/4 Hour	195	220	13%
	1/2 Hour	388	440	13%
	3/4 Hour	583	660	13%
	Full 1 Hour	776	870	12%
	Ea. Add'l 1/4 Hr.	195	220	13%
Minor Surgery II	1st Hour	842	950	13%
	Ea. Add'l 1/2 Hr.	420	470	12%
Major Surgery Pre-Op Holding	Room	137	155	13%
Major Surgery I	1st Hour	1,254	1,400	12%
	Add'l 1/2 Hour	438	500	14%

DEPARTMENT OF PUBLIC HEALTH
PROPOSED PATIENT RATES
FY 00-01

TYPE OF SERVICE	UNITS OF SERVICE	CURRENT RATE FY 99-00	PROPOSED RATE FY 00-01		PERCENT CHANGE
Major Surgery II	1st Hour	1,416	1,600		13%
	Add'l 1/2 Hour	452	550		22%
Major Surgery III	1st Hour	1,577	1,800		14%
	Add'l 1/2 Hour	583	660		13%
Extraordinary Surgery	1st Hour	1,779	2,000		12%
	Add'l 1/2 Hour	647	725		12%
Surgery (2 Teams)	Procedure	2,465	2,800		14%
	Add'l 1/2 Hour	828	950		15%
Surgery (3 Teams)	Procedure	3,198	3,600		13%
	Add'l 1/2 Hour	1,076	1,200		12%
Major Trauma III	First Hour	3,154	3,154	*	0%
	Susequent Hours	1,166	1,166	*	0%
Major Trauma II	First Hour	2,478	2,478	*	0%
	Susequent Hours	791	791	*	0%
Major Trauma I	First Hour	1,881	1,881	*	0%
	Susequent Hours	657	657	*	0%
Recovery Room	1st Hour	485	550		13%
	2nd Add'l Hour	116	130		12%
	3rd Add'l Hour	73	80		10%
Anesthesia	First 1/2 Hour	385	440		14%
	Add'l Minute	12	15		25%
Laser Treatment	Procedure	1,272	1,450		14%
Therapeutic Abortion	Procedure	210	250		19%
Trauma Care					
Admitted/Expired	Day	4,500	4,500	*	0%
Treated & Released	Day	2,800	2,800	*	0%
Consultation	Day	750	750	*	0%
Pediatric - Admitted/Expired	Day	4,500	4,500	*	0%
Pediatric - Treated & Released	Day	2,800	2,800	*	0%
Pediatric - Consultation	Day	750	750	*	0%
Emergency Clinic					
Level I	Room	77	90		17%
Level II	Room	105	120		14%
Level III	Room	133	150		13%
Level IV	Room	245	280		14%
Level V	Room	559	630		13%
Level VI	Room	1,328	1,500		13%

DEPARTMENT OF PUBLIC HEALTH
PROPOSED PATIENT RATES
FY 00-01

TYPE OF SERVICE	UNITS OF SERVICE	CURRENT RATE FY 99-00	PROPOSED RATE FY 00-01	PERCENT CHANGE
Non-Critical Observation	0-2 Hours	77	90	17%
	2-4 Hours	224	250	12%
	4-6 Hours	384	430	12%
Critical Observation	0-2 Hours	224	250	12%
	2-4 Hours	447	500	12%
	4-6 Hours	664	750	13%
Resuscitation		1,328	1,500	13%
General Clinic				
Initial				
E/M Focused Exam	Visit	70	80	14%
E/M Expanded Exam	Visit	119	140	18%
E/M Detailed Exam	Visit	136	160	18%
E/M Comprehensive Exam	Visit	190	220	16%
E/M Complex Exam	Visit	247	280	13%
Targeted Case Management	Visit	135	220	63%
Established Patient				
E/M Brief Exam	Visit	46	50	9%
E/M Focused Exam	Visit	62	72	16%
E/M Expanded Exam	Visit	70	95	36%
E/M Detailed Exam	Visit	101	145	44%
E/M Comprehensive Exam	Visit	166	220	33%
Consultation				
E/M Focused Consult	Visit	67	75	12%
E/M Expanded Consult	Visit	101	115	14%
E/M Detailed Consult	Visit	103	115	12%
E/M Comprehensive Consult	Visit	136	155	14%
E/M Complex Consult	Visit	201	230	14%
Use of Exam Room	Room	34	40	18%
Primary Care				
Initial				
E/M Focused Exam	Visit	68	80	18%
E/M Expanded Exam	Visit	100	110	10%
E/M Detailed Exam	Visit	130	150	15%
E/M Comprehensive Exam	Visit	184	200	9%
E/M Complex Exam	Visit	234	300	28%
Targeted Case Management	Visit	142	160	13%

DEPARTMENT OF PUBLIC HEALTH
PROPOSED PATIENT RATES
FY 00-01

TYPE OF SERVICE	UNITS OF SERVICE	CURRENT RATE FY 99-00	PROPOSED RATE FY 00-01	PERCENT CHANGE
Established Patient				
E/M Brief Exam	Visit	37	40	8%
E/M Focused Exam	Visit	52	60	15%
E/M Expanded Exam	Visit	67	95	42%
E/M Detailed Exam	Visit	78	150	92%
E/M Comprehensive Exam	Visit	157	180	15%
Dental Services				
Initial Complete Exam	Visit	37	40	8%
Periodic Exam	Visit	37	40	8%
Prophylaxis - Adult	Visit	52	55	6%
Prophylaxis - Child	Visit	47	50	6%
Extract Single Tooth	Visit	74	80	8%
One Surface, Permanent Tooth	Visit	68	70	3%
Home Health Services				
Skilled Nursing	Visit	153	153	0%
Home Health Aide Services	Visit	79	79	0%
Medical Social Services	Visit	213	213	0%
Physical Therapy	Visit	175	175	0%
Occupational Therapy	Visit	175	175	0%
Speech Therapy	Visit	177	177	0%
Laguna Honda Hospital				
Regular Hospital Rates				
Acute	Day	875	1,050	20%
Rehabilitation	Day	875	1,050	20%
Skilled Nursing Facility	Day	300	360	20%
All Inclusive Rates				
Acute	Per Diem	1,100	1,320	20%
Rehabilitation	Per Diem	1,100	1,320	20%
Skilled Nursing Facility	Day	350	420	20%

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DEPARTMENT OF PUBLIC HEALTH
PROPOSED PATIENT RATES
FY 00-01

TYPE OF SERVICE	UNITS OF SERVICE	CURRENT RATE FY 99-00	PROPOSED RATE FY 00-01	PERCENT CHANGE
POPULATION HEALTH & PREVENTION				
Community Mental Health Services				
24-Hour Service				
Inpatient	24 Hours	850	1,350	59%
Skilled Nursing	24 Hours	415	415	0%
Crisis Residential	24 Hours	250	250	0%
Residential	24 Hours	125	125	0%
Day Services				
Rehabilitation	Full Day	110	110	0%
Intensive	Full Day	190	190	0%
Intensive (children)	Half Day	200	200	0%
Crisis Socialization	Hour	50	75	50%
Crisis Stabilization	Hour	80	80	0%
Socialization	Hour	30	30	0%
Outpatient Services				
Case Management Brokerage	Hour	80	96	20%
Mental Health Services	Hour	150	150	0%
Medication Support	Half Hour	120	120	0%
Crisis Intervention	Hour	375	375	0%
Community Substance Abuse				
Residential - Detoxification	24 Hours	84	87	4%
Residential - Basic	24 Hours	81	84	4%
Residential - Family	24 Hours	135	140	4%
Residential - Medical Support	24 Hours	200	207	4%
Recovery Home	24 Hours	70	70	0%
Therapeutic Community	24 Hours	80	80	0%
Outpatient (include Detox)	Per Contract	108	108	0%
Methadone Treatment	Hour	26	26	0%
Naltrexone Treatment	Per Contract	45	45	0%
Prevention/Intervention	Hour	50	52	4%
Day Care - Habilitative	Per Contract	108	112	4%

DEPARTMENT OF PUBLIC HEALTH
PROPOSED PATIENT RATES
FY 00-01

TYPE OF SERVICE	UNITS OF SERVICE	CURRENT RATE FY 99-00	PROPOSED RATE FY 00-01	PERCENT CHANGE
Records and Statistics				
Birth Record			Rates Per State of California	
Death Record			Rates Per State of California	
Permit - Disposition of Human Remains			Rates Per State of California	
Passport Application	Per Application	15	15	0%
Passport Photo	Per 2 Photos	10	10	0%
Out-of-County Certificate	Per Certificate	Market Rate + $10	Market Rate + $10	0%
Certificate Embossing	Per Embossing	5	5	0%
Death Certificate FAX Filing Fee - Mortuary (Under Contract)				
Per Reviewed Submission	Per Submission	3	3	0%
Per Accepted Certificate	Per Certificate	7	7	0%
Contract Change Order	Per Change Order	95	95	0%
National Adoption Resources Booklet	Per Booklet	2	2	0%
Letter of Non-Contagious Disease	Per Letter	7	7	0%
Document / Certificate Will-Call	Per Document	5	5	0%
DEPARTMENT OF PUBLIC HEALTH				
Electronic / Internet Transaction Fee	Per Transaction	5	5	0%
Telephone / FAX Transaction Fee	Per Transaction	5	5	0%
Expedited Delivery of Documents				
Regular Delivery - U.S. & International	Per Delivery	Market Rate + $5	Market Rate + $5	0%
Same Day - Greater Bay Area	Per Delivery	Market Rate + $5	Market Rate + $5	0%
Same Day - Other California	Per Delivery	Market Rate + $10	Market Rate + $10	0%
ADULT IMMUNIZATION CLINIC				
Vaccines				
Hepatitis A	Per Injection	42	42 *	0%
Hepatitis B	Per Injection	50	50 *	0%

* Contained in Charge Description Master in FY 99-00

Items 2 and 3 - Files 00-1428 and 00-1264

Department: Rent Arbitration Board (Rent Board)

Items: File 00-1428: Ordinance appropriating $388,412 of Rent Arbitration Board Special Revenue Funds for Salaries, Fringe Benefits, Training and Professional Services to improve customer service to the public and eliminate work backlog for the Rent Arbitration Board of Fiscal Year 2000-01 and placing an additional $104,079 on reserve.

File 00-1264: Ordinance amending the San Francisco Administrative Code Chapter 37A "Residential Rent Stabilization and Arbitration Fee" by amending Sections 37A.2 and 37A.6 to increase the maximum annual residential rent ordinance fee from $16 to $19 per unit for Fiscal Year 2000-01 and to provide that no more than $16 per unit may be passed through from the landlord to the tenants.

Amount: $492,491

Source of Funds: Rent Arbitration Board Special Revenue Fund

Description: The owner of all residential rental units in the City, with the exception of specific non-profit entities, residential care facilities, Section 8 housing, Ellis Act exempted units and residential units constructed since June of 1979, is required under Chapter 37A of the Administrative Code to pay an annual Rent Stabilization and Arbitration Fee for each unit. The fee for each rental unit is calculated annually by determining the total projected annual cost of funding the Rent Arbitration Board divided by the total number of rental units estimated to pay the fee. Currently, such an annual fee cannot exceed $16 per rental unit.

The proposed ordinance (File 00-1264) would increase the current maximum annual fee for each rental unit from $16 to $19 for Fiscal Year 2000-01, a $3 or 18.8 percent increase. Chapter 37A stipulates that residential hotel units pay a fee which is one-half of the fee for residential rental units. As a result, under

the proposed ordinance, the annual fee for each residential hotel unit would increase from $8 to $9.50 for Fiscal Year 2000-01, a $1.50 or 18.8 percent increase.

Chapter 37A currently states that the owners of rental units (including residential hotel units) may seek recovery of the entire Rent Stabilization and Arbitration Fee from the tenant in occupancy of the residential unit on November 1st and outlines the specific procedures for recovery of these annual fees. Under the proposed ordinance (File 1264), the owner of the rental unit would be limited to seeking recovery from the tenant of up to a maximum of $16, of the proposed $19 per unit fee annually. The proposed ordinance also states that the owner remains liable for the full payment of the annual fee to the City's Tax Collector whether or not the owner seeks any recovery or receives any portion of the fee from the tenant.

Therefore, under the proposed ordinance, the annual residential fee to be paid by the owner would increase from $16 to $19 in FY 2000-01. However, the owner would be limited to recovery of the current annual fee of $16 from the tenant, such that the owner would be responsible for the remaining annual $3 increase per unit. All of these annual Rent Board Fees are deposited into the Rent Arbitration Board Special Revenue Fund.

The proposed $492,491 supplemental appropriation ordinance (File 00-1428) would be funded with the additional revenues received from the proposed fee increases deposited into the Rent Arbitration Board Special Revenue Fund. Under the proposed supplemental appropriation, the Rent Board would retain five existing temporary FTE Administrative Law Judges for seven months (retroactive to July, 2000 through January, 2001) to eliminate the Rent Board's backlog of hearings. The Rent Board's current backlog is approximately 135 cases for hearings. The Rent Board also proposes to enter into a personal services contract to purchase and install an enhanced database system to facilitate web-based access for the public and to provide more useful and efficient

information for Rent Board staff by reducing the staffs dependence on handling paper files. In addition, under the proposed supplemental appropriation, the Rent Board staff would contract for (1) customer service training for those staff that have the greatest client contact on the telephone or in-person and (2) Word 98 training for all staff that would be using the new multi-platform word processing program. The requested $104,079 reserve would be for the Rent Board to hire up to an additional 2.5 FTE Administrative Law Judges, as necessary, to accommodate fluctuations in caseloads, to prevent the reoccurence of backlogs.

Budget:

Temporary Salaries	$242,850
Administrative Law Judges, $83,263 annually	
(5 FTE Adm. Law Judges for 7 months)	
Fringe Benefits (25% of Temp Salaries)	60,712
Professional Database Services	80,000
(1) Customer Service Training-$1,100	
(11 counseling staff x $100 by City College)	
(2) Word 98 Training - $3,750	
(30 staff x $125 per staff)	
Training Total	4,850
Subtotal	$388,412
Reserved Funds	$104,079
(2.5 FTE Adm. Law Judges x 6 months)	
Total Supplemental Appropriation	$492,491

Comments:

1. The proposed ordinance would increase the Rent Board fees from $16 to $19 for only one year (FY 2000-01), because according to Mr. Joe Grubb, Executive Director of the Rent Board, it is unclear how many new tenant or landlord filings or additional work responsibility of the Rent Board will occur after the current year. For example, Mr. Grubb advises that there is currently an Initiative Ordinance on the November 7, 2000 ballot that would virtually eliminate the existing capital improvement cost passthrough filings, retroactive to April 10, 2000. Under the existing capital improvement cost passthrough filings, the owner of a building can petition the Rent Board to amortize the cost of major

capital improvements and passthrough such costs to the tenants of the building. If this Initiative Ordinance is approved, Mr. Grubb advises that it may materially reduce the Rent Board's workload, since currently capital improvement passthrough filings represent approximately one-third of all filings received by the Rent Board. However, Mr. Grubb cautions that, if the proposed Initiative Ordinance is approved, the landlord community is likely to (1) seek injunctive relief from the courts, (2) file a lawsuit over the passage of this Initiative Ordinance, and/or (3) increase the number of petitions submitted to the Rent Board for passthroughs to tenants for owner operating and maintenance costs. Therefore, Mr. Grubb advises that it is unclear what the workload will be for the Rent Board in future years.

2. Mr. Grubb therefore advises that during FY 2000-01, the Rent Board will reexamine the Rent Board's workload and filings, as well as the outcome of the November election and, if necessary, request additional changes to the annual Rent Board Fee or alternatively permit the Fee to return to $16 annually.

3. Under the proposed ordinance, owners would only be able to recover $16 of the proposed $19 annual fee per rental unit from their tenants. Mr. Grubb advises that this provision is proposed because over the last two years, the number of landlord petitions has increased significantly, from 410 in 1998-99 to 618 in 1999-2000, an increase of 208, or 50.7 percent. During this same period of time, tenant petitions increased by 13.7 percent from 791 in FY 1998-99 to 899 in FY 1999-2000. As a result, Mr. Grubb notes that the landlord community (i.e., the Coalition for Better Housing and the San Francisco Apartment Association) agreed to pay the additional $3 fee increase for FY 2000-01.

4. Mr. Grubb advises that he did not include the proposed $19 one-time annual fee and the subject supplemental appropriation request in the Rent Board's FY 2000-01 budget request because neither the tenant nor the landlord community had agreed to an increase in the Rent Board fees to pay for the

proposed additional services. According to Mr. Grubb, in mid to late June of 2000, the landlord community, as noted above, agreed to the proposed $3 one-time fee increase to pay for the proposed additional services.

5. Mr. Grubb advises that the Rent Stabilization and Arbitration Fee was last increased from $10 to $16, a 60 percent increase, in June of 1999, approximately one year ago. The previous Fee increase occurred in 1993, when fees increased from $8 to $10, a 25 percent increase.

6. According to Mr. Matthew Hymel of the Controller's Office, there are approximately 184,000 residential rental units, including the residential hotel rental units in the City, that are subject to the Rent Stabilization and Arbitration Fee. Mr. Hymel states that in FY 1999-2000 the Rent Board received approximately $2,950,000 at the current $16 annual fee. Under the proposed $19 annual fee, and assuming the 184,000 rental units remain fairly constant, the Rent Board should realize approximately $3,500,000.

7. As noted above, the proposed supplemental appropriation requests appropriation of $388,412, in addition to placing an additional $104,079 on reserve for 2.5 FTE Administrative Law Judges for six months, for a total supplemental appropriation request of $492,491. However, the proposed ordinance does not specifically state this total amount of $492,491. The Budget Analyst recommends that the Controller's reserve of $104,079 be deleted. If the Rent Board requires additional staffing, the Department should request the necessary supplemental appropriation at that time.

8. Mr. Grubb reports that prior to obtaining approval of the Board of Supervisors, he has retained four existing temporary Administrative Law Judge positions at the Rent Board since July 1, 2000, which are the subject of the proposed supplemental appropriation, in order to address the Rent Board's backlog of cases that need to be scheduled for hearings. The Budget Analyst therefore notes that the proposed supplemental appropriation should be

amended to provide retroactive approval of the proposed funds. Mr. Grubb advises that, as of August 1, 2000, there was still a backlog of approximately 135 cases for hearings. Based on an average workload of approximately 12 hearings per month for each of the four existing temporary Administrative Law Judges, the current backlog of 135 hearings would be completed by late-October of 2000.

Mr. Grubb reports that after the hearings, it typically takes approximately two additional months for the Administrative Law Judges to complete their written reports, and to review and respond to any appeals. This requirement would therefore extend the four Administrative Law Judges workload through late-December, 2000. Mr. Grubb advises that these temporary employees would also qualify for sick leave and accrued paid vacation time, which would extend these employees on the Rent Board payroll through approximately late January of 2001.

Although the Rent Board's present requirement is four additional 8176 Administrative Law Judge positions, the Budget Analyst, however, notes that the proposed supplemental appropriation would actually fund five, not four, 8176 Administrative Law Judge positions from July 1, 2000 through the end of January of 2001. Therefore, the Budget Analyst recommends reducing the proposed supplemental appropriation to reflect the need for four, rather than five, temporary Administrative Law Judges for this seven month period, as follows:

Funding Uses	Amount in Supplemental	Amount Recommended	Budget Analyst Recommended Reductions
Temporary Salaries	$242,850	$194,280	$48,570
Fringe Benefits	60,712	48,569	12,143
Training	4,850	4,850	0
Professional Services	80,000	80,000	0
Total	$388,412	$327,699	$60,713

Recommendations:

1. Amend the proposed supplemental appropriation ordinance (File 00-1428) to delete reference to the Controller's reserve of $104,079, as discussed in Comment No.7.

2. Amend the proposed supplemental appropriation ordinance (File 00-1428) to reduce the request from $388,412 to $327,699, a savings of $60,713, to reflect the elimination of one temporary Administrative Law Judge position for seven months, as discussed in Comment No.8.

3. Amend the proposed supplemental appropriation ordinance (File 00-1428) to provide retroactive approval of these funds, since the four temporary employees have been retained since July 1, 2000 without prior approval of the Board of Supervisors.

4. Approval of the proposed ordinance (File 00-1428), as amended, and approval of the proposed ordinance (File 00-1264) are policy matters for the Board of Supervisors.

Item 4 - File 00-1272

Item: Ordinance (a) amending the San Francisco Administrative Code by adding Chapter 12N, encompassing Sections 12N.1 to 12N.13, to provide that a prescribed minimum level of compensation be paid to employees of private contractors, including nonprofit and for-profit contractors, providing services to the City and County, to employees of their subcontractors, and to employees of tenants and subtenants on Airport property and their subcontractors; and (b) amending Chapter 70 of the San Francisco Administrative Code by adding Section 70.11 to provide that employees of the In-Home Supportive Services Public Authority be paid the specified minimum compensation.

Description: The proposed ordinance would amend the Administrative Code to require that private contractors and certain public entities[1] which have service contracts with the City, including their subcontractors; private firms which have agreements with the Airport for the use of real property, which includes leases, concession agreements, franchise agreements or easement agreements, and their subtenants and contractors; and the In-Home Supportive Services (IHSS) Public Authority provide employees with the following:

- Minimum compensation equal to an hourly wage of $9.00 per hour, effective 30 days from the approval of the ordinance;
- Compensated time off, paid at the minimum compensation level, equal to 12 days per year for fulltime workers; and
- Uncompensated time off equal to 10 days per year for fulltime workers.

After 12 months, and prior to 18 months, from the effective date of the proposed ordinance, the hourly wage would be increased by $1.00 per hour to $10.00 per hour for affected employees. For each of the 3 years after the minimum compensation is increased to $10.00 per hour,

[1] "Public entity" would include any public entity whose jurisdictional boundaries are the same as the City, such as the San Francisco Unified School District and the Community College District.

the minimum compensation level shall be increased by 2.5 percent. Increasing the annual minimum compensation by 2.5 percent would result in a minimum compensation of $10.25 per hour in the first year, $10.51 per hour in the second year, and $10.77 per hour in the third year. According to the City Attorney, no further adjustment would be made in the minimum compensation level after the third year adjustment of 2.5 percent.

The proposed ordinance states that the Controller, the Mayor's Budget Office, and the Budget Analyst would issue an annual Joint Report, in accordance with existing Administrative Code Section 3.6,[2] to determine if the City has sufficient funds to pay the anticipated costs of increasing the minimum compensation to $10.00 per hour. According to the ordinance, "sufficient funds" shall mean that the City will not be required to reduce services in order to pay the anticipated costs of the adjustment. The ordinance states that nonprofit service contractors and public entities would not be required to pay the minimum compensation of $10.00 per hour if the Joint Report determines that the City does not have sufficient funds. The nonprofit contractors and public entities would only be required to increase the minimum compensation by 2.5 percent in the following three years, as noted above, if the Joint Report had determined that the City had sufficient funds to increase the minimum compensation to $10.00 per hour. Only nonprofit contractors and public entities would be exempted from the $10.00 minimum compensation requirement if the Joint Report finds that the City does not have sufficient funds, and for-profit contractors and Airport property agreements would continue to be covered by the minimum compensation requirement.

The proposed ordinance would apply to private contractors with 20 or more employees that have service contracts with the City for an amount of $25,000 or greater. According to the City Attorney, the number of employees of parent and subsidiary organizations of the

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[2] Administrative Code Section 3.6 provides that the Mayor, the Controller, and the Budget Analyst shall prepare a three-year estimated summary budget each year following adoption of the annual budget by the Board of Supervisors.

nonprofit and for-profit contractors would be included in the count of employees. The proposed minimum compensation requirement applies to private contractors which provide services to the City and excludes (a) contracts for the purchase or lease of goods; (b) contractors who entered into their current service agreements with the City prior to the effective date of the proposed ordinance or who responded to Invitations to Bid or Request for Proposal packages prior to the effective date of the proposed ordinance; (c) contractors required to pay "prevailing wage" rates[3]; (d) agreements with a public entity whose jurisdictional boundaries are not coterminous with the City; (e) agreements resulting from the settlement of legal proceedings; and (f) agreements for the investment or management of trust assets if compliance would violate the fiduciary duties of the responsible officials overseeing the trust.

The proposed ordinance specifies that service agreements involving the expenditure by the City of grant or special funds, such as Federal Community Development Block Grant funds, would be excluded if (a) application of the minimum compensation ordinance would violate or be inconsistent with the terms or conditions of the applicable grant agreement, and/or (b) if General Fund monies would be required to supplement funding to maintain services presently paid for by grants or special funds.

Employees of service contractors noted above who work at least 4 hours per pay period on a City contract would be covered by the proposed ordinance. According to the City Attorney, a pay period is whatever period of time each contractor sets and can vary from contractor to contractor. Service contractor employees who work on City contracts outside the geographic boundaries of or real property owned by San Francisco would be covered if they worked at least 10 hours in a pay period. Employees of service contractors would be excluded if they are (a) less than 18 years of age, employed as after-school or summer

[3] According to Chapter 6 of the Administrative Code, contractors performing public work or improvement projects for the City are required to pay the highest prevailing wage rate to their employees as determined by the Board of Supervisors. Prevailing wages generally apply to all construction contracts and in FY 1999-2000 were extended to all janitorial contracts.

employees and claimed as dependents for Federal income tax purposes; (b) employed as a trainee in a bona fide training program consistent with Federal law; or (c) disabled and covered by a current sub-minimum wage certificate issued by the U.S. Department of Labor.

The proposed ordinance would also apply to private firms that that hold leases, concession agreements, franchise agreements, and easement agreements with the Airport for more than 29 days in a calendar year, including their subtenants and subcontractors. Employees of Airport tenants, including their subtenants and contractors, would be covered by the minimum compensation ordinance if they work 10 hours or more per pay period at the Airport.

IHSS workers employed by the IHSS Public Authority would also be covered by the proposed ordinance.

Fiscal Impact:

The proposed minimum compensation ordinance would result in increased costs to the City due to increased service contract costs for both nonprofit and for-profit firms and possibly, due to decreased revenues from Airport property agreements if the proposed ordinance results in lower bids for such agreements.

The percentage of increased nonprofit costs resulting from the implementation of the minimum compensation ordinance which the City would pay would be a policy decision of the Board of Supervisors. As noted previously, the proposed ordinance provides that nonprofit contractors and public entities would be exempted from the $10.00 per hour minimum compensation requirement if the Joint Report determines that the City does not have sufficient funds to pay the anticipated costs of the adjustment.

The City would incur increased costs from for-profit service contracts, although the percentage of such costs that the contractor would pass through to the City is uncertain. Two research studies, by the Urban Institute

of San Francisco State University (SFSU)[4] and by Dr. Michael Reich of the University of California, Berkeley (UC Berkeley), estimated different amounts of increased costs which for-profit service contractors would pass through to the City. Both studies assumed that the City would make a policy decision to pay 100 percent of the increased costs to nonprofit service contractors. UC Berkeley assumed that for-profit contractors would absorb most of the increased costs resulting from the implementation of a minimum compensation ordinance According to Dr. Michael Reich of UC Berkeley, based upon other cities' experience with minimum compensation ordinances, no more than one-third of the for-profit contractors' increased costs would be passed through to the City. SFSU assumed that small for-profit contractors (with 50 or less employees) would pass through 100 percent of the increased costs to the City and that large for-profit contractors (with more than 50 employees) would pass through 70 percent of the increased costs to the City. Neither study estimated the fiscal impact to the City of increased costs to private firms with Airport property agreements. The UC Berkeley study stated that the impact to the City of increased costs for private firms with Airport property agreements would be minimal. The SFSU study, however, stated that such private firms would negotiate lower property agreement payments upon the renewal of these property agreements due to their higher anticipated wage rates.

Both studies agreed that employers would have increased costs from indirect as well as direct wage increases. Indirect wage increases, or "wage push", would result from the pressure to increase wages for other low-paid employees not working on City contracts and for workers earning $1.00 to $2.00 per hour more than the minimum compensation.

Because City service contracts expire on different dates, increased costs to the City would be phased in over a period of time.

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[4] SFSU was commissioned by the Living Wage Task Force, which was established by the Board of Supervisors in 1998, to study the effects of increasing the minimum compensation level for City service contractors and leaseholders.

Cost Estimates: *Cost estimates of $9.00 per hour minimum compensation in the first year of the proposed ordinance.*

In FY 2000-2001 the Board of Supervisors approved $7,600,000 in General Fund funds to provide a 3 percent cost of living adjustment (COLA) for nonprofit service contractors to increase wages, with the first priority given to those employees earning less than $9.00 per hour, in accordance with the Annual Appropriation Ordinance. The Board of Supervisors also approved a $4,100,000 General Fund allocation in the DHS budget to increase childcare workers' wages. According to the four City General Fund Departments which have the largest portion of nonprofit service contracts funded by General Fund monies (Department of Public Health, Department of Human Services, Sheriffs Department, and the Department of Adult and Aging Services), the FY 2000-01 $7,600,000 COLA and $4,100,000 increase for childcare workers' wages (for a total of $11,700,000) would probably be sufficient to cover the cost of a $9.00 per hour minimum compensation. Each of the four City Departments states that the actual cost of increasing the minimum compensation to $9.00 per hour would not be known until all of the service contracts were negotiated. Based on the information provided by these Departments, the City would not have additional costs beyond the $11,700,000 in FY 2000-01 to implement a $9.00 per hour minimum compensation for nonprofit contractors.

The Department of Administrative Services Purchaser's Office and other City agencies do not track the number of employees or their wages and benefits for City service contracts. Therefore, estimating the City's increased costs resulting from implementation of a minimum compensation ordinance requires additional data sources. In 1999 SFSU was commissioned by the Living Wage Task Force to evaluate the economic impact of a living wage (minimum compensation) ordinance on the City. Data regarding the City service contractors and Airport property agreements, including the number of employees and hourly wages, were collected in 1999. The SFSU researchers surveyed contractors and Airport tenants,

and used statistical inference to estimate the number of City service contract and Airport property agreement employees, and their current wages and benefits. The SFSU study was based upon a proposed living wage ordinance at that time. The subject minimum compensation ordinance specifically excludes service contracts funded by grant or special funds if City General Fund monies would be required to supplement funding to maintain services presently paid for by grants or special funds. According to Dr. Michael Potepan of SFSU, the data used by SFSU to obtain cost estimates of the proposed living wage did not separate contracts which were funded by grants or special funds from contracts funded by General Fund monies. Therefore, any cost estimates provided by SFSU would be greater than actual General Fund costs that would be incurred under the subject ordinance.

SFSU estimated that approximately 4,771 service contractor employees would receive wage increases if the minimum compensation level were $9.00 per hour.[5] According to the SFSU study, the estimated total direct cost to nonprofit and for-profit service contractors of a $9.00 per hour minimum compensation would be $15,158,863, which includes the hourly wage increase, compensated time off, and employer payroll contributions.[6] As noted above, the City would probably not have additional costs in FY 2000-01 beyond the $11,700,000 COLA and wage allowance previously noted, resulting from nonprofit contractors implementing a $9.00 per hour minimum compensation. The amount of additional costs to the City in FY 2000-01 resulting from for-profit contractors implementing a $9.00 per hour minimum compensation is uncertain. Based on the SFSU estimate, additional costs to the City could range from a low of no more than $2,740,227 to a high of approximately $5,098,823 depending on the percentage of increased costs absorbed by the for-profit contractors and the percentage of costs passed through to the City by the for-profit

[5] "The Living Wage in San Francisco: Analysis of Economic Impact, Administrative and Policy Issues", a San Francisco Urban Institute Report, March 2000.

[6] SFSU assumed that employer payroll contributions would include 7.82 percent for Social Security and Medicare, 3.5 percent for Workers' Compensation, and 1.5 percent for City payroll tax.

contractors.[7] Total estimated increased costs to General Fund service contractors under the subject minimum compensation ordinance would be less than the SFSU cost estimates because SFSU included service contractors funded by grant and special funds which are excluded under the proposed ordinance. Additionally, janitorial service contracts, which were included in the SFSU estimates, are now covered under the prevailing wage ordinance, and some service contract employees who were earning less than $9.00 per hour at the time of the 1999 SFSU study are now earning more than $9.00 per hour.

According to the Mr. Steve Kawa of the Mayor's Office, additional General Fund costs to the City resulting from implementation of the proposed minimum compensation ordinance would be funded from the $5,100,000 Wage and Health Care Accessibility Reserve included in the FY 2000-01 budget.

Cost estimates of $10.00 per hour minimum compensation in the second year of the proposed ordinance.

Under the proposed ordinance, after 12 months and prior to 18 months from the effective date of the ordinance, the hourly wage would be increased by $1.00 per hour to $10.00 per hour for affected employees.

Based on the SFSU estimates, total increased incremental costs to nonprofit and for-profit service contractors resulting from a $1.00 per hour increase in the minimum compensation level from $9.00 to $10.00 per hour would be approximately $24,997,107. Total increased incremental costs for nonprofit contractors would be approximately $18,412,403. The estimate of $18,412,403 includes the Mayor's Budget Office estimate of approximately $3,000,000 to increase the wages of approximately 7,200 In-Home Supportive Services (IHSS) workers from $9.70 per hour to $10.00 per hour. As noted

[7] The low estimate of $2,740,227 is based on the UC Berkeley assumption that for-profit contractors would pass through 30 percent of increased costs to the City and the high estimate of $5,098,823 is based on the SFSU assumption that for-profit contractors would pass through 70 percent of increased costs to the City.

previously, the SFSU estimates are higher than actual costs resulting from the subject ordinance because the SFSU estimates include contractors funded by grant or special funds which are excluded in the subject ordinance. Additionally, the subject ordinance provides that nonprofit contractors and public entities would not be required to implement the $10.00 per hour minimum compensation if the annual Joint Report issued by the Controller, the Mayor's Budget Office, and the Budget Analyst finds that the City does not have sufficient funds to pay the anticipated costs of the adjustment.

Based on the SFSU estimates, increased costs to the City for for-profit contractors could range from a low of no more $2,764,999 (based on 33 percent of increased costs passed through to the City by for-profit contractors) to a high of $4,874,388 (based on 70 percent of increased costs passed through to the City by for-profit contractors). The actual increased costs to the City would be less because the SFSU estimates include for-profit contractors paid by grant or special funds. As previously noted, such estimates of costs provided by SFSU do not differentiate funding sources. Therefore, the estimated General Fund costs would be less.

The Budget Analyst notes that the increased General Fund costs resulting from increasing the minimum compensation from $9.00 to $10.00 per hour cannot be accurately determined until data is available on the actual cost of implementing the $9.00 per hour minimum compensation standard. According to Mr. Matthew Hymel, Chief Assistant Controller, informal estimates of the actual General Fund cost of increasing minimum compensation from $9.00 to $10.00 per hour indicate that actual General Fund costs would be less than the SFSU estimates.

Administration and Enforcement of the Ordinance:

The proposed ordinance provides that the Department of Administrative Services (DAS) would administer the minimum compensation ordinance and would be responsible for:

- Establishing guidelines or rules for the administration of the minimum compensation ordinance. Such guidelines or rules would include procedures for providing administrative hearings requested by covered employees to determine if a contractor has breached the wage or benefit requirement provided by the subject ordinance; and procedures permitting contractors to provide confidential payroll information to the City for the purpose of monitoring compliance with the proposed ordinance.
- Determining if a contractor is subject to the requirements of the ordinance upon request of a City department.
- Reporting annually to the Board of Supervisors on compliance with the minimum compensation ordinance.
- Conducting random audits of contractors to determine compliance with the minimum compensation ordinance. The proposed ordinance does not specify if such audits would be conducted by in-house staff or by an outside consultant.

DAS would be responsible for waiving the subject ordinance in some circumstances. Such waivers would apply if the City department entering into the service contract certifies that (a) only one contractor is willing to enter into the contract or the contractor is a sole source supplier of the service; (b) the contract is necessary to respond to an emergency situation endangering the public health or safety; (c) no qualified responsive bidders or prospective vendors comply with the requirements of the minimum compensation ordinance and the service or project is essential to the City; and (d) the services to be purchased are available under a bulk purchasing arrangement with Federal, State, or local government entities which will substantially reduce the City's costs.

Additionally, a nonprofit service contractor may seek a waiver from the requirements of the proposed ordinance if the highest paid managerial position in the organization earns a salary which is not more than six times the lowest wage paid.

The General Manager of the Public Utilities Commission may waive the requirements of the minimum compensation ordinance if a service contractor provides services related to the provision of wholesale or bulk water, electricity, natural gas, or ancillary services; if the purchase of these services can not be practically accomplished through the competitive bid process; and if the service contractor is not providing direct, retail services to end users in the City. The minimum compensation ordinance may also be waived through a collective bargaining agreement.

DAS would be responsible for investigating claims by covered employees that a contractor has breached the minimum compensation ordinance. If DAS were to determine that the contractor was not in compliance with the subject ordinance, then DAS would notify the City Department which has the service contract with the contractor about the breach of the minimum compensation ordinance and the corrective action to be taken. If a contractor is not in compliance with the minimum compensation ordinance, the City has the right to (a) charge the contractor an amount equal to the difference between the minimum compensation wage and the actual wage paid and to withhold that amount from any payments due to the contractor; (b) terminate the contract; (c) seek reinstatement of any employee discharged or otherwise discriminated against unlawfully for reporting the contractor's non-compliance with the ordinance; and (d) bar the contractor from entering into future contracts with the City for a period of three years.

DAS would be responsible for conducting an administrative review hearing if a covered employee has alleged a breach of the subject ordinance, and if DAS has either determined that a breach has not occurred or has not obtained a remedy for the breach within 60 days of the complaint. If an administrative review hearing is conducted, the hearing officer would be responsible for determining if a breach of the ordinance occurred. According to DAS, they have not yet determined if the hearing officer would be in-house staff or an outside consultant. The proposed budget provided by DAS

provides 1.0 FTE in-house hearing officer (see Comment 1).

Under the proposed ordinance the covered employee would have the right to bring an action against the private contractor in Superior Court after the administrative hearing is conducted and a decision is issued. The proposed ordinance does not authorize any awards of costs, expenses, or attorney's fees in favor of or against the City.

Comments:

1. According to Ms. Rachel Arnstine O'Hara of DAS, estimated annual administrative costs for the ordinance would be approximately $685,100, which includes 6 new staff, rent for office space, equipment, materials and supplies, and related costs.

1.0 FTE Director	$ 90,000	
1.0 FTE Hearing Officer	80,000	
2.0 FTE Investigators	131,000	
1.0 FTE Outreach Worker	42,000	
1.0 FTE Senior Clerk Typist	42,000	
Fringe Benefits @ 26 percent	100,100	
Subtotal, Personnel Costs		485,100
Operating Costs		200,000
Total		**$685,100**

The Budget Analyst notes that DAS administration costs would be subject to appropriation approval by the Mayor and the Board of Supervisors. According to Mr. Kawa, the Mayor will be working with DAS to submit a proposal for administration and enforcement of the proposed ordinance using existing personnel to avoid additional costs to the City. Mr. Kawa states that if additional staff and funding are required, the $5,100,000 Wage and Health Care Accessibility Reserve included in the FY 2000-01 budget could be a potential funding source. Also, some General Fund administrative costs may be offset by work-order reimbursements using non-General Fund monies, such as work-order reimbursements to DAS by the Airport.

2. According to the City Attorney's Office, the estimated City Attorney cost of implementing the proposed

ordinance would be approximately $250,000 in the first year of the ordinance and approximately $150,000 in each of the subsequent years of the ordinance. According to Ms. Paula Jesson of the City Attorney's Office, City Attorney costs would include legal services for the implementation of the proposed ordinance, such as legal services for interpretation of the minimum compensation ordinance provisions, setting up of enforcement and administrative hearing procedures, resolving issues regarding definitions contained in the ordinance, and for City departments and the Airport to facilitate negotiation and implementation of service contracts and property agreements.

3. SFSU estimated that increased direct and indirect costs to Airport property agreements resulting from $9.00 per hour minimum compensation, covering 6,196 employees, would be approximately $30,014,820. Such increased costs would be phased in because the property agreements expire on different dates. Additionally, the actual increased costs to Airport tenants would be less than the SFSU estimates because SFSU obtained data regarding Airport tenants in August of 1999, and since that time the Airport has implemented the Quality Standards Program which requires a minimum compensation of $9.00 per hour for Airport tenant employees who are engaged in safety and security functions. The attached memorandum, provided Mr. Jon Ballesteros of the Airport, describes the Quality Standards Program.

As noted previously, SFSU stated that the Airport would have decreased revenues resulting from the minimum compensation ordinance because leaseholders would negotiate lower lease payments upon the renewal of thee leases due to higher anticipated wage rates. UC Berkeley stated that the impact to the Airport of increased Airport leaseholder costs would be minimal.

4. In summary, the FY 2000-01 budget included $7,600,000 for nonprofit contractors to increase wages, with the first priority given to those employees earning less than $9.00 per hour, and $4,100,000 to increase the wages of childcare workers. Therefore, according to the four City General Fund departments with the largest

portion of City service contracts (Department of Public Health, Department of Human Services, Sheriff's Department, and Department on Aging and Adult Services), the City would probably not have additional General Fund costs for nonprofit service contracts resulting from the implementation of a $9.00 per hour minimum compensation. Additionally, the increased costs to the City for for-profit contractors is uncertain. Based on SFSU estimates, increased costs to the City for for-profit contracts could range from a low of no more than $2,740,227 (if for-profit contractors pass through 33 percent of increased costs to the City) to a high of $5,098,823 (if for-profit contractors pass through 70 percent of increased costs to the City). However, the actual General Fund costs to the City would be less than the SFSU estimates because the SFSU estimates include contractors funded by grants and special funds, which are excluded by the subject ordinance.

Under the proposed ordinance, nonprofit contractors and public entities would not be required to implement the $10.00 per hour minimum compensation if the annual Joint Report issued by the Controller, the Mayor's Budget Office, and the Budget Analyst finds that the City does not have sufficient funds to pay the anticipated costs of the adjustment. Additionally, based on the SFSU estimates, estimated increased costs to the City could range from a low of no more than $2,764,999 (if for-profit contractors pass through 33 percent of increased costs to the City) to a high of $4,874,888 (if for-profit contractors pass through 70 percent of increased costs to the City).

For each of the 3 years after the minimum compensation is increased to $10.00 per hour, the minimum compensation level would be increased by 2.5 percent per year, for a minimum compensation of $10.25 per hour in the first year, $10.51 per hour in the second year, and $10.77 per hour in the third year. Increased costs to the City resulting from the 2.5 percent minimum compensation increase are not known. No further adjustment would be made in the minimum compensation level after the third year adjustment of 2.5 percent.

As noted above, actual total increased General Fund costs to service contractors and increased General Fund costs to the City would be less than the SFSU estimates because the SFSU estimates include service contractors funded by grant or special funds that are excluded under the proposed minimum compensation ordinance. Additionally, the SFSU estimates are based on 1999 data and since that time, janitors, which were included in the service contract cost estimates, have been excepted, and some other employees who were earning less than $9.00 per hour in 1999 are now earning more than $9.00 per hour.

Increased costs to the City would be phased in over a period of time because City service contracts expire on different dates.

The DAS estimate of the annual cost to administer the proposed ordinance is approximately $685,100. According to Mr. Kawa, the Mayor will be working with DAS to submit a proposal for administration and enforcement of the proposed ordinance using existing personnel to avoid additional costs to the City. Additionally, such expenditures would be subject to appropriation approval by the Mayor and the Board of Supervisors and could be offset partially by work-order reimbursements using non-General Fund monies, such as work-order reimbursements to DAS by the Airport.

The City Attorney's Office estimates that the cost of legal services for implementation of the proposed ordinance would be approximately $250,000 in the first year of the ordinance and $150,000 for each year of the subsequent years of the ordinance.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

AIRPORT COMMISSION
SAN FRANCISCO INTERNATIONAL AIRPORT
CITY AND COUNTY OF SAN FRANCISCO

INTEROFFICE MEMORANDUM

TO: Severine Campbell **DATE:** August 2, 2000

FROM: Jon Ballesteros

SUBJECT: AIRPORT TENANT SALARY LEVELS

Attached please find three surveys of retail and food & beverage employee salaries paid by Airport Tenants.

This survey was conducted prior to the implementation of the Airport's Quality Standards Program ("QSP"). Pursuant to the QSP, all Airport tenant employees performing a security or safety function must, among other requirements, receive a minimum compensation level of $9.00 per hour by October 1, 2000. This level of minimum compensation will increase to $10.00 per hour on January 1, 2001.

There are a number of airport tenant employees that do not perform a safety or security function and do not fall under the provisions of the QSP. However, based on recent discussions with a small number of retailers, the QSP appears to have had a "ratcheting-up" effect on salaries throughout the airport. These retailers report that because there are a large number of entry-level positions offering $9.00 per hour, the retailer must also offer this level of compensation in order to attract and retain employees.

Doc: H: Jballesteros memo to Severine Campbell Aug2

AIRPORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO INTERNATIONAL AIRPORT JUN 8 1999

INTEROFFICE MEMORANDUM

TO: Peter Nardoza DATE: June 4, 1999

FROM: Bob Rhoades

SUBJECT: SFOTECH Wage Survey

At the request of the Director, I spoke with Jeff Seid regarding the wages being paid by their various service providers under contract to SFOTECH. The following information was provided:

Type of Work	Hourly Wage
Janitorial	$9.50
Ramp Scrubbing	$9.50
Baggage System Maintenance	$12.50 average
CUTE	$12.00 plus
Gate Management	$12.50 - $17.50
Ramp Tower	$12.50 - $17.50

SFOTECH manages the security checkpoint contract for the airlines. The hourly wage is in the $6.50 to $7.00 range.

cc: John L. Martin ✓

RETAIL

Tenant	Rates per hour			Benefits
	Cashier	Warehouse	Driver	
CalStar Retail, Inc. (non-union)	$7.00	$7.50	No data provided	• Operator pays ½ medical/dental if associate chooses to participate • Health benefits kicks in after 90 days • 401K after one year
Aarons' Concessions (non-union)	$6.00 - $8.00	$6.50 - $8.50	No data provided	No data provided
Marilla Chocolate (non-union)	$6.00 – $10.00	No data provided	No data provided	• medical insurance available after three months
Host - Merchandise (non-union)	$6.14	$7.00	$7.25	• medical • dental • profit sharing • other benefits • Host provides 3.5% increases annually on employee anniversary date
ABC Cigar Co. (non-union)	• Training $6.50 • Clerks $6.50 - $9.00 • Supervisors $9.00 - $15.00	$8.00	No data provided	• Medical available after six to 12 months • Life insurance

FOOD AND BEVERAGE

As provided by Host

Facility	Position	Salary range per hour
Crab Pot and Main Bar Brew Pubs	Bartender (hired before 11/89)	$11.25
	Bartender (hired after 11/89)	$7.70 - $11.00
All others	Service Bartender (hired before 11/89)	$11.00
	Service Bartender (hired after 11/89)	$7.53 - $10.75
Red Carpet and US Airways Clubs	Bartender (hired before 11/89)	$10.75
	Bartender (hired after 11/89)	$6.83 - $9.75
All facilities	Food Server	$5.80
	Cocktail Server	$5.80
	Brew Pub Cocktail Server	$6.05
	Beertender	$6.08 - $8.69
	Cook	$7.67 - $10.95
	Grill Cook	$6.85 - $9.79
	Pantry Person	$6.63 - $9.47
	Sandwichmaker (not hiring now)	$9.85
	Pizza Cook	$7.10 – $10.15
	Bar Helper	$5.84 - $8.34
	Host/Cashier	$6.92 - $9.89
	Snack Bar Cashier	$8.58 - $9.40
	Relief Cashier (Beertender breaker)	$6.58 - $9.40
	Utility	$6.25 - $8.02
	Expeditor	$6.76 - $9.65
	Hydraulic Truck operator	$7.70 - $11.00
	Food Runner/ASK (no driving)	$6.37 - $9.10
	Head Storekeeper (driving)	$7.38 - $10.54
	Cashroom Attendant	$7.46 - $10.65

Item 5 - File 00-1299

Department: Administrative Services (DAS)
Public Works (DPW)

Item: Resolution transferring jurisdiction of real property from the Department of Administrative Services to the Department of Public Works, identified as Assessor's Bloc 341, Lot Nos. 13 and 14 and sub-surface area of Cyril Magnin Street between Lot Nos. 13 and 14 (Hallidie Plaza).

Location: Hallidie Plaza, located in Assessor's Bloc 341, Lots Nos. 13 and 14 and sub-surface area of Cyril Magnin Street between Lot Nos. 13 and 14, at 5th and Market Streets (see Attachment for map).

No. of Square Feet: 25,067 square feet

Description: The subject resolution would transfer jurisdiction of Hallidie Plaza (Assessor's Bloc 341, Lots Nos. 13 and 14, and the area located below Cyril Magnin Street and between Lots Nos. 13 and 14) from the Department of Administrative Services (DAS) to the Department of Public Works (DPW). Hallidie Plaza is a brick-paved area located below street-level and is used currently as public open space. Part of this property (4,895 square feet) located between Lots Nos. 13 and 14, and underneath Cyril Magnin Street (see Attachment for map), is leased to the San Francisco Convention and Visitors Bureau. In addition, the City leases space in Hallidie Plaza to a coffee stand owned by Cable Car Coffee (see Comment No. 2).

According to Mr. John Panieri of the Department of Real Estate (DRE), streets and plazas, such as the subject property, are normally under the jurisdiction to DPW. Mr. Panieri advises that the proposed resolution to transfer control of Hallidie Plaza from DAS to DPW would place control of the property under the appropriate Department. The subject resolution states that the proposed transfer would not affect current use of the property. In addition, Mr. Panieri states that there would be no costs associated with the proposed transfer.

Comments:

1. According to Mr. Panieri, the subject property has been under the jurisdiction of the Department of Real Estate, which is now a division of DAS, since the City first purchased the majority of the property in 1967. However, historically, DPW has overseen maintenance and improvements for Hallidie Plaza. According to Mr. Tom Carter of DPW, DPW's Bureau of Street and Environmental Services includes Hallidie Plaza in its budget for cleaning and general up-keep of the Market Street area. Mr. Carter advises that until the current Fiscal Year 2000-2001, DAS would work-order funds to DPW for improvements and maintenance of Hallidie Plaza, such as repairs to benches, drainage and the elevator. Beginning with the current Fiscal Year, funding for such improvements are included in DPW's budget, and Mr Carter reports that DPW included $100,000 in its Fiscal Year 2000-2001 budget for repairs to Hallidie Plaza. According to Mr. Panieri, DAS did not include any funds for Hallidie Plaza in its FY 2000-2001 budget.

2. As stated previously, a portion of the subject property (4,985 square feet of the total 25,067 square feet) is leased to the San Francisco Convention and Visitor's Bureau. According to Mr. Panieri, the Convention and Visitor's Bureau is housed in a structure built beneath Cyril Magnin Street. The subject lease for this space was renewed in 1998, for a five-year term, expiring in November of 2002.[1] The Convention and Visitor's Bureau pays to the City an annual rent of $1. Mr. Panieri advises the City leases the subject space for $1 per year because the Convention and Visitor's Bureau provides information services to San Francisco visitors, which is considered to be a public service, promoting the general welfare of the community. In addition, the City has leased space in Hallidie Plaza to a coffee stand owned by Cable Car Coffee (1,200 square feet of the total 25,067 square feet) since June of 1998. M. Panieri reports that Cable Car Coffee pays to the City $1,500 per month. The five-year term of the lease will expire in June of 2003.

Recommendation: Approve the proposed resolution.

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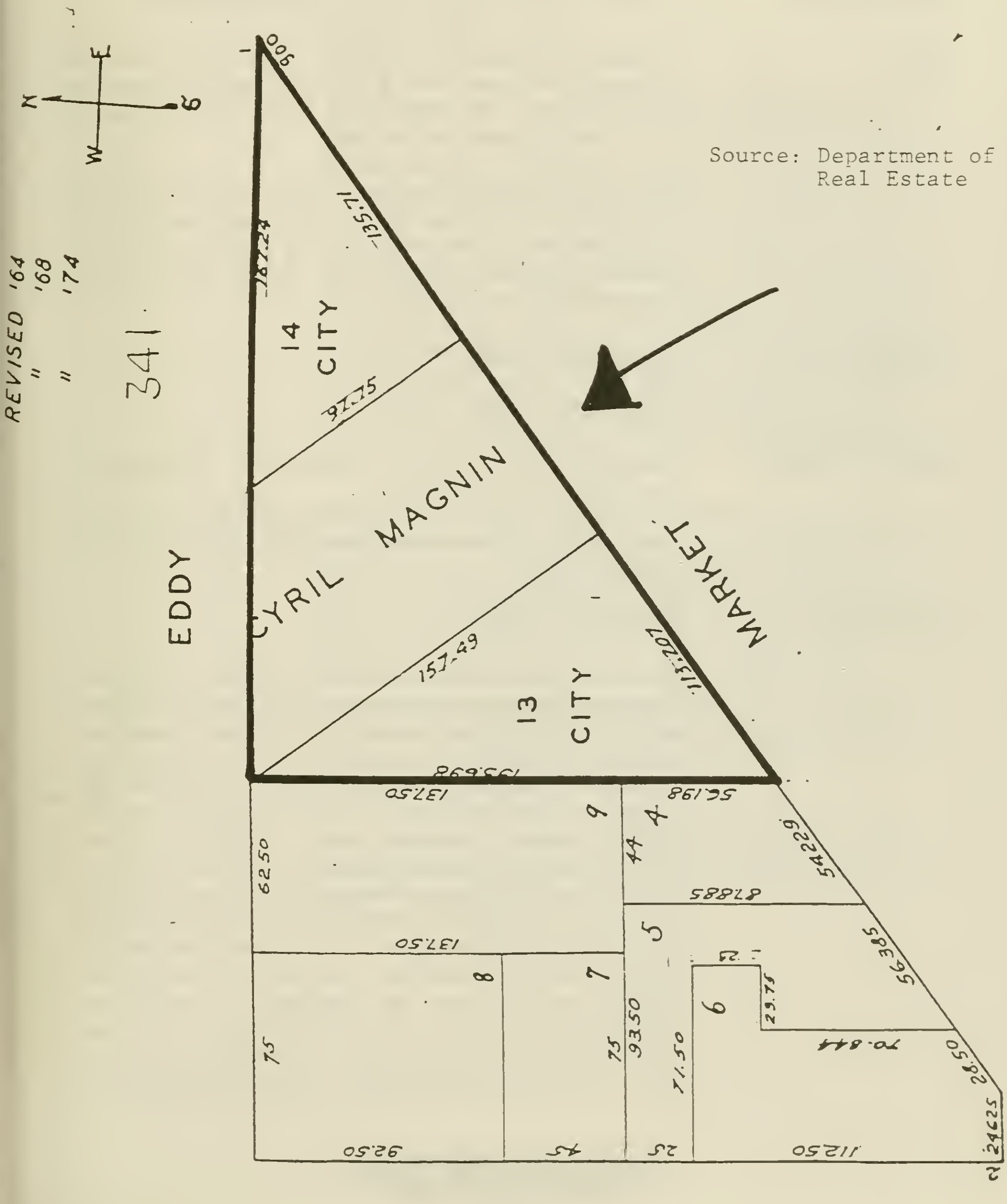
[1] In March of 1998, the Board of Supervisors approved a five-year lease with the San Francisco Convention and Visitor's Bureau, providing for retroactive authorization so that the lease term began in November of 1997 and will expire in November of 2002 (Resolution No. 98-245).

Attachment

Exhibit A

Source: Department of Real Estate



Items 6 & 7 – Files 00-1342 & 00-1343

Department: Mayor's Office of Community Development (MOCD)

Item: Item 6, File 00-1342: Hearing to consider the release of reserves in the amount of $90,000 to fund the Lavender Youth Resource and Information Center (LYRIC) under the Facility Emergency Relief Pool.

Item 7, File 00-1343: Hearing to consider the release of reserves in the amount of $40,000 to fund the Central City Hospitality House and the San Francisco Eviction Defense Collaborative under the Emergency Shelters Grant Pool.

Amount: Item 6, File 00-1342: $90,000

Item 7, File 00-1343: $40,000

Source of Funds: Item 6, File 00-1342: 2000 Community Development Block Grant Program (CDBG)

Item 7, File 00-1343: 2000 Emergency Shelters Grant Program (ESGP)

Description: Item 6, File 00-1342:

When the Board of Supervisors approved the 2000 Community Development Block Grant Program (CDBG) in April of 2000 (File 00-0488), $90,000 was placed on reserve under the Facility Emergency Relief Pool pending a complete program plan and budget details for the Lavender Youth Resource and Information Center (LYRIC) facility renovation project. LYRIC has now obtained approval from the Planning Department for the design of the facility renovations and the Mayor's Office of Community Development (MOCD) has submitted budget details for the $90,000 project. The CDBG funds will be used to improve accessibility and safety at the LYRIC facility, which offers a job training and educational support program, an after school program, an arts and media HIV prevention program. a leadership program and a youth talk phone line. LYRIC provides such

services to over 1,100 lesbian, gay, bisexual and transgender youth each year.

<u>Item 7, File 00-1343</u>:

When the Board of Supervisors approved the 2000 Emergency Shelters Grant Program (ESGP) grant of $890,000 in April of 2000 (File 00-0486), $113,700 was placed on reserve under the Emergency Shelter Grants Pool pending a complete program plan and budget details for the use of the subject funds. MOCD has now submitted budget details for a $15,000 grant to the Central City Hospitality House and a $25,000 grant to the San Francisco Eviction Defense Collaborative, for a total of $40,000 in grant funds. Central City Hospitality House provides emergency shelter and case management to homeless adult males. The $15,000 grant from MOCD will be used to provide shelter services for 20 clients per night. The average stay for a client is approximately 43 nights.

The San Francisco Eviction Defense Collaborative provides emergency legal services to tenants facing eviction lawsuits. The $25,000 grant from MOCD will fund a new 0.7 FTE Eviction Defense Specialist who will focus on assisting residential hotel tenants in the Tenderloin and South of Market neighborhoods. The Eviction Defense Specialist will assist tenants in representing themselves in eviction lawsuit proceedings by explaining the legal eviction process and how to file legal papers and by preparing tenants for settlement conferences and trials.

Approval of the release of $40,000 of the total $113,700 in reserved funds will leave $73,700 in ESGP funds on reserve.

Budget:

Item 6, File 00-1342:

The budget for the proposed release of $90,000 in reserved funds from the Facility Emergency Relief Pool is as follows:

LYRIC	
Renovation of garage	$16,200
Installation of storage space	16,200
Removal of closet wall	3,240
Installation of railing	18,900
Installation of new stairs and entry for the 2nd and 3rd floors	24,390
Installation of programmable card access system	6,070
Replace main building drain pipe	5,000
Total Budget	**$90,000**

Item 7, File 00-1343:

The budget for the proposed release of $40,000 in reserved funds from the Emergency Shelter Grants Pool is as follows:

Central City Hospitality House	
Client Supplies	$2,261
Laundry Service (Bedding & Towels)	3,183
Janitorial Supplies	2,000
Maintenance	5,522
Insurance	2,034
Total Budget	**$15,000**

Eviction Defense Collaborative, Inc.	
Eviction Defense Specialist Salaries & Benefits (0.7 FTE)	$25,000
Total Budget	**$25,000**

Comments:

Item 7, File 00-1343:

1. According to Mr. Jon Pon of MOCD, Central City Hospitality House was suffering from financial problems

and a high staff turnover rate when its application for grant funds was being considered by the Mayor's Office. Since then, Mr. Pon advises that technical assistance has been provided by staff from the Department of Human Services and the Department of Public Health and Central City Hospitality House has begun to address its staff problems by hiring a new executive director. The Board of Directors of Central City Hospitality House has also been reformed with new members who are committed to addressing the management and fiscal problems.

2. Mr. Pon reports that the Eviction Defense Collaborative was recently established as a separate nonprofit 501(c)3 corporation in order to deliver its services more effectively and to avoid having to pay the ten percent overhead fee to the Tides Center, which had been acting as the Eviction Defense Collaborative's fiscal agent. Thus the Eviction Defense Collaborative is now able to save the $2,500 in administrative fees and use the entire grant for direct services.

Recommendations: Item 6, File 00-1342: Approve the proposed release of $90,000 in reserved funds.

Item 7, File 00-1343: Approve the proposed release of $40,000 in reserved funds.

Item 8 - File 00-1305

Department: Department of Public Health (DPH)

Item: Hearing to consider the release of $479,769 of funds held on reserve for the Department of Public Health for Phase II of the Tobacco Prevention Program.

Amount: $479,769

Source of Funds: $1,500,000 in proceeds from a Settlement and Consolidation Agreement with the R.J. Reynolds Tobacco Company regarding *Mangini v. R.J. Reynolds Tobacco Company, et .al.*

Description: In 1997 San Francisco, along with 13 other California cities and counties, reached a settlement agreement with R.J. Reynolds Tobacco Company in *Mangini v. R.J. Reynolds Tobacco Company, et .al.* Under the settlement agreement, San Francisco received $1,500,000 to finance education, enforcement, and advertising campaigns to discourage smoking by minors. In September of 1998 the Board of Supervisors appropriated $1,500,000 to fund media, health education, and enforcement programs and placed $553,405 on reserve (File 98-140). In December of 1998 the Finance and Labor Committee released $73,636 of the $553,405 to fund enforcement services provided by the Department of Agriculture, Weights, and Measures through a work order to DPH, and continued to reserve $479,769 (File 98-2003).

DPH is requesting release of $479,769 to fund (a) a major media campaign aimed at youth to discourage cigarette smoking, (b) an evaluation to assess the impact of the media campaign on youth behavior, and (c) community-based intervention programs to discourage smoking.

Budget: A summary budget for the $479,769 in reserved funds is as follows:

Media campaign	$122,500
Evaluation	22,500
Community based intervention	268,579
Assistant health educator position	66,190
Total	$479,769

Comments:

1. According to Ms. Anne Okubo of DPH, Phase I of the Tobacco Prevention Program included research identifying the type of media messages that would be effective in discouraging youth from smoking, and the target group of 14 to 17 year olds. During Phase I, the Tobacco Prevention Program established an advisory committee which developed criteria for reviewing tobacco prevention advertisements, reviewed and tested the effectiveness of existing advertisements, and selected 4 existing advertisements and recommended production of 4 new advertisements for the Tobacco Prevention Program. Phase I also included Police Department enforcement of tobacco sales ban to minors and City Department of Consumer Assurance enforcement of the ban on outdoor advertising of tobacco products and self-service tobacco vending machines.

2. According to Ms. Okubo, funds in the amount of $122,500 would be used to modify an existing contract with O'Rorke Public Relations and Advertising, which was selected through a Request for Proposal (RFP), to produce television and radio commercials and to pay for cable and broadcast television and radio advertising. Ms.Okubo states that the total budget for the media campaign is $565,325, which includes $442,825 in unexpended funds from Phase I of the Tobacco Prevention Program and $122,500 in requested funds to be released for Phase II. The media budget would include production of up to six new commercials ($60,000), use of existing commercials produced by the California Department of Health Services and other tobacco control programs ($15,000), 12 weeks of cable television advertising ($175,000), advertising on broadcast television, including free placement in Fox Kids Magazine ($150,000), and

radio advertising ($165,325). Ms. Okubo states that the requested funds would fund the media campaign for approximately 12 months and that no funds have been expended.

3. Ms. Okubo states that the proposed budget includes $22,500 to fund an evaluation of Phase II of the Tobacco Prevention Program. DPH would modify an existing contract with Polaris Research and Development, which was selected through an RFP, to conduct 9 youth focus groups at a cost of $2,500 per focus group to test the drafts of the new television advertisements. Ms. Okubo states that the requested funds would fund the evaluation for approximately 12 months and that no funds have been expended.

4. DPH proposes to expend $268,579 of the requested funds for professional service contracts to provide community based interventions. Ms. Okubo states that $165,000 of the $268,579 would fund 3 community capacity building projects that would be designed to mobilize community members and agencies to change environmental factors promoting unhealthy behaviors, such as tobacco advertising and promotion, and easy access to tobacco products by minors. According to Ms. Okubo, DPH will issue RFPs to select contractors for the proposed community capacity building projects on August 21, 2000 and expects to select contractors in mid October of 2000. Ms. Okubo advises that $103,579 of the $268,579 would fund a citywide "tobacco control through the arts" project that incorporates the arts as an educational medium for youth to impact the public's views regarding tobacco use. DPH will issue a Request for Proposal to select a contractor for the proposed project on August 21, 2000 and expects to select a contractor in late October of 2000. The Budget Analyst recommends continuing to reserve $268,579 of the requested $479,769, pending selection of contractors and submission of budget details.

5. According to Ms. Okubo, DPH would use $66,190 for 10.75 months of 1.0 FTE 2819 Assistant Health Educator position ($49,643 for salary plus $16,547 for fringe benefits). Ms. Okubo states that this position was hired as an L or Limited Tenure Position in July of 1999, using

Tobacco Settlement funds that were previously appropriated by the Board of Supervisors in September of 1998 (File 98-140). According to Ms. Okubo, none of the requested funds have been expended for this position.

Recommendations: 1. Approve release of $211,190 of the requested $479,769.

2. Continue to reserve $268,579 of the requested $479,769, pending selection of contractors and submission of budget details, as noted in Comment 4.

Harvey M. Rose

Supervisor Yee
Supervisor Bierman
President Ammiano
Clerk of the Board
Controller
Steve Kawa

BOARD of SUPERVISORS

City Hall
Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 544-5227

3/

0.254

16/00
Cancelled

NOTICE OF CANCELLED MEETING

FINANCE AND LABOR COMMITTEE

SAN FRANCISCO BOARD OF SUPERVISORS

NOTICE IS HEREBY GIVEN that the meeting of the Finance and Labor Committee scheduled for Wednesday, August 16, 2000 at 10:00 a.m., at 1 Dr. Carlton B. Goodlett Place, Room 263, City Hall, San Francisco, California, has been **cancelled**.

Gloria L. Young, Clerk of the Board

FINANCE AND LABOR COMMITTEE
S.F. BOARD OF SUPERVISORS
CITY HALL, ROOM 244
1 DR. CARLTON GOODLETT PLACE
SAN FRANCISCO, CA 94102-4689

IMPORTANT HEARING NOTICE!!!

41 Library
100 Larkin Street Govt Information Center

254
3/00

City and County of San Francisco
Meeting Minutes
Finance and Labor Committee

Members: Supervisors Leland Yee, Sue Bierman, Tom Ammiano

Clerk: Mary Red

Wednesday, August 23, 2000 | **10:00 AM** | **City Hall, Room 263**

Regular Meeting

Members Present: Leland Y. Yee, Sue Bierman, Tom Ammiano.

Meeting Convened

The meeting convened at 10:13 a.m.

REGULAR AGENDA

001374 **[1660 Mission Proposed Expansion]**

Supervisor Yee

Hearing to consider the impact of the Department of Building Inspection's proposed expansion of 1660 Mission Street on staff who will continue to occupy the building, including measures that will be implemented to ensure a safe, healthy work environment, sufficient air quality, noise/dust abatement, and adequate open space.

7/24/00, RECEIVED AND ASSIGNED to Public Health and Environment Committee.

8/14/00, TRANSFERRED to Finance and Labor Committee.

Continued to September 20, 2000.

CONTINUED.

001362 **[Outreach newspaper]**

Supervisors Leno, Bierman

Resolution designating the San Francisco Bay Times for outreach advertising services for the City and County of San Francisco for the lesbian/gay/transgender community for outreach advertising for FY2000-2001.

7/24/00, REFERRED FOR ADOPTION WITHOUT COMMITTEE REFERENCE AGENDA AT THE NEXT BOARD MEETING.

7/31/00, SEVERED FROM FOR ADOPTION WITHOUT COMMITTEE REFERENCE AGENDA. Supervisor Yee requested this matter be severed so it could be considered separately.

7/31/00, REFERRED to Finance and Labor Committee. Supervisor Yee requested this matter be referred to committee.

7/31/00, SUBSTITUTED. Supervisor Leno submitted a substitute resolution bearing new title.

7/31/00, ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Mike Ward, Assistant Director, Purchasing; Supervisor Leno; Supervisor Ammiano; Kim Corsaro, Editor, S. F. Bay Times; Supervisor Yee; Ted Lakey, Deputy City Attorney. Amendment of the Whole to include the San Francisco Spectrum as outreach advertising service.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

Resolution designating the San Francisco Bay Times and the San Francisco Spectrum for outreach advertising services for the City and County of San Francisco for the lesbian/gay/transgender community for outreach advertising for FY2000-2001.

Continued to special meeting on August 28, 2000, to go to Board as Committee Report on August 28

CONTINUED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

000985 **[Approving a four-year contract with S.F. Water Alliance to provide Program Management Services for PUC Capital Improvement Program]**

Resolution approving the Public Utilities Commission Program Management Services contract with the San Francisco Water Alliance. (Public Utilities Commission)

Supervisor Ammiano dissenting in committee

5/24/00, RECEIVED AND ASSIGNED to Finance and Labor Committee

7/19/00, CONTINUED Heard in Committee Speakers Supervisor Ammiano, Ken Bruce, Budget Analyst's Office, Supervisor Yee, Larry Klein, Acting General Manager, Public Utilities Commission (PUC), Mike Quan, Utilities Engineering Bureau, PUC, Harvey Rose, Budget Analyst, Victor Macros, Vice President, PUC Commission, Ed Richardson, Bechtel Corporation, John Kluesener, Project Manager, Bechtel Corporation, Ted Lakey, Deputy City Attorney Opposed David Novogrodsky, Local 21, Jim Buker, Local 21, Jeff Sheehy, Victor Menotti, International Forum, Antonio Diaz, P O D E R , Chris Daly, Mission Aganda, Daja Bowler, Peter Warfield Continued to August 2, 2000

8/2/00, CONTINUED Heard in Committee Speakers Ken Bruce, Budget Analyst's Office, Edward Hines, Public Utilities Commission Continued to August 23, 2000

Heard in Committee. Speakers Larry Klein, Acting General Manager, Public Utilities Commission; Mathew Wong, PUC; Supervisor Yee, Walter Johnson, S F Labor Council, David Novogrodsky, Local 21, Jim Buker, Local 21; Jeff Sheehy; Wiley Pierce, Geotope Mapping Company, Jennifer Clarey, S. F Tomorrow, Anna Damiani; Leslie Harless Bacho, S. F Food Bank, Doug Biggs, S. F Conservation Corp., Darlene Gee, Sverdrup Civil, Inc.; Valerie Schweyer, Bechtel Instrastructure Corp., Joe Gonzalez, Geotechnical Consultants, Inc., Chris Daly, Leamon Abrams. Bechtel. Supervisor Ammiano.

RECOMMENDED by the following vote:

Ayes: 2 - Yee, Bierman
Noes: 1 - Ammiano

000934 **[Reserved Funds, Public Utilities Commission]**

Hearing to consider release of reserved funds, Public Utilities Commission, (File 000272: Ordinance No. 45-00) in the amount of $505,368 to fund removal of contaminated materials from PUC-Water Department bayside property leased to Peninsula Sportsman's Club. (Public Utilities Commission)

5/17/00, RECEIVED AND ASSIGNED to Finance and Labor Committee

Heard in Committee. Speaker Steven Medbery, Public Utilities Commission Release of reserves in the amount of $505,368 approved.

APPROVED AND FILED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

000741 **[Electronic Filing by Lobbyists]**

Ordinance amending Article II of the San Francisco Campaign and Governmental Conduct Code by adding Section 2.160 to authorize the Ethics Commission to require electronic filing of lobbyist statements and reports. (Ethics Commission)

(Adds Section 2.160.)

4/20/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

7/26/00, SUBSTITUTED. Substituted by Ethics Commission 7/26/00, bearing new title.

7/26/00, ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Ginny Vida, Ethics Commission; Supervisor Yee.

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

000742 **[Electronic Filing by Campaign Consultants]**

Ordinance amending Article I of the San Francisco Campaign and Governmental Conduct Code by adding Section 1.540 to authorize the Ethics Commission to require electronic filing of campaign consultant statements and reports. (Ethics Commission)

(Adds Section 1.540.)

4/20/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

7/26/00, SUBSTITUTED. Substituted by Ethics Commission 7/26/00, bearing new title.

7/26/00, ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Ginny Vida, Ethics Commission; Supervisor Yee.

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001417 **[Amendment to Lease of property between CCSF and Kira Mikazon for Pier 33, South (The Embarcadero at Bay Street)]**

Ordinance approving fourth amendment to lease agreement with Kira Mikazon and the City and County of San Francisco operating by and through the San Francisco Port Commission for Pier 33 South, at Bay Street and the Embarcadero, San Francisco, California. (Port)

8/1/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speaker: Harvey Rose, Budget Analyst.

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001482 **[Tax Rate Setting - City and County of San Francisco]**

Ordinance providing revenue and levying taxes for City and County purposes and establishing passthrough rate for residential tenants pursuant to Chapter 37 of the Administrative Code for the fiscal year ending June 30, 2001. (Controller)

8/9/00, RECEIVED AND ASSIGNED to Finance and Labor Committee. Department requests this item be calendared at the August 23, 2000 meeting.

Heard in Committee. Speaker: Harvey Rose, Budget Analyst.

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001483 [Tax Rate Setting - S.F. Unified School District]

Ordinance providing revenue and levying taxes for San Francisco Unified School District purposes for the fiscal year ending June 30, 2001. (Controller)

8/9/00, RECEIVED AND ASSIGNED to Finance and Labor Committee Department requests this item be calendared at the August 23, 2000 meeting

Heard in Committee. Speaker: Harvey Rose, Budget Analyst

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001484 [Tax Rate Setting - S.F. Community College District]

Ordinance providing revenue and levying taxes for San Francisco Community College District purposes for the fiscal year ending June 30, 2001. (Controller)

8/9/00, RECEIVED AND ASSIGNED to Finance and Labor Committee Department requests this item be calendared at the August 23, 2000 meeting

Heard in Committee. Speaker: Harvey Rose, Budget Analyst

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001485 [Annual Appropriation Ordinance Amendment - Art Commission]

Ordinance amending the Annual Appropriation Ordinance for fiscal year 2000-01, File Number 000980 Ordinance Number 180-00, adjusting appropriations to meet the requirements of the Art Commission pursuant to Charter Section 16.106. (Controller)

8/9/00, RECEIVED AND ASSIGNED to Finance and Labor Committee Department requests this item be calendared at the August 23, 2000 meeting

Heard in Committee. Speaker: Harvey Rose, Budget Analyst

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001452 [San Francisco's Appropriations Limit for Fiscal Year 2000-01]

Resolution establishing the appropriations limit for fiscal year 2000-01 pursuant to California Constitution Article XIII B. (Controller)

8/7/00, RECEIVED AND ASSIGNED to Finance and Labor Committee

Heard in Committee. Speaker: Harvey Rose, Budget Analyst.

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001265 [CEQA Findings - Emporium Site Development]
Supervisor Yaki
Resolution affirming certification of the Yerba Buena Redevelopment Project Area Expansion/Emporium Site Development Final Supplemental Environmental Impact Report by the Planning and Agency Commissions and adopting environmental findings (and a statement of overriding considerations) pursuant to the California Environmental Quality Act and State Guidelines in connection with adoption of the Yerba Buena Redevelopment Project Area Expansion/Emporium Site Development Project and various other actions necessary to implement the project.

(Final EIR Certification Date: January 13, 2000; companion measure to Files 992234, 992235, 001265, 001256, 001257, 001258, 001259, 001266, 001267, 001434.)

Supervisor Yee dissenting in committee.

7/10/00, ASSIGNED UNDER 30 DAY RULE to Transportation and Land Use Committee, expires on 8/9/2000.

8/22/00, RECOMMENDED. Heard in committee. Speakers: Emilio Cruze, Director of Economic Development; Bill Carney, Redevelopment Agency; Kevin Warner, Senior Development Specialist, Redevelopment Agency; David Jones, Project Developer, Forest City; Jim Firth, UFCW Local 101; Walter Johnson, San Francisco Labor Council; H. Brown; Jim Chappell, SPUR; Anita Hill, Yerba Buena Alliance; Doug Comstock, Coalition for San Francisco; Jennifer Clary, San Francisco Tomorrow; Michael Levin; Mary Ann Miller, San Francisco Tomorrow; Myles Stephens, San Francisco Black Chamber of Commerce; Gary Jenkins; Charles Range; Alan Gibson, Budget Analyst Office.

Revised versions of Attachment A and Exhibit 2 were received and placed in the file.

8/22/00, REFERRED to Finance and Labor Committee.

Heard in Committee. Speakers: Julie Brant, Mayor's Office of Economic Development; Lloyd Schaegel, Arthur Michel, Market Street Railway; Jim Firth, Local 101; Walter Johnson, S. F. Labor Council; Howard Wallace, Local 250; Supervisor Yee, Supervisor Ammiano; Supervisor Bierman.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001267 [Tax Increment Allocation/Financing Agreement - Emporium Site]
Supervisor Yaki
Resolution approving and authorizing a Tax Increment Allocation Pledge Agreement between the City and County of San Francisco ("City") and the Redevelopment Agency of the City and County of San Francisco ("Agency"), under which the City agrees to a pledge by the Agency of a portion of the available non-housing tax increment generated by the redevelopment of the project site (specifically including Assessor's Block 3705, Lots 9, 10, 12, 13, 14, 15, 17, 18, 33, 38, and 43) in favor of Emporium Development, L.L.C. ("Developer"), a subsidiary of Forest City Enterprises, in furtherance of the implementation of the Redevelopment Plan amendment for the addition of the Emporium Site Area to the Yerba Buena Center Project Area; approving and authorizing a financing agreement and covenant to operate ("Financing Agreement") in connection with the Development of the Emporium Site Area; approving an allocation of tax increment for affordable housing purposes in excess of the minimum amount required under Redevelopment Law; making elections with respect to the allocation of tax increment; adopting findings pursuant to the California Environmental Quality Act; and adopting findings that the agreement is consistent with the city's General Plan and Eight Priority Policies of city Planning Code Section 101.1.

(Fiscal impact.)

7/10/00, ASSIGNED UNDER 30 DAY RULE to Transportation and Land Use Committee, expires on 8/9/2000.

8/11/00, TRANSFERRED to Finance and Labor Committee. In conjunction with this matter, File 001265, CEQA findings, will be considered by the Finance and Labor Committee on August 23, 2000.

Heard in Committee. Speakers: Julie Brant, Mayor's Office of Economic Development; Lloyd Schaegel, Arthur Michel, Market Street Railway; Jim Firth, Local 101; Walter Johnson, S. F. Labor Council; Howard Wallace, Local 250; Supervisor Yee, Supervisor Ammiano; Supervisor Bierman.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001385 [Prop J, Contracting out Laundry Services]

Resolution concurring with the Controller's certification that the laundry services can be performed for the Department of Public Health, San Francisco General Hospital by private contractor for a lower cost than similar work performed by City and County employees. (Public Health Department)

7/21/00, RECEIVED AND ASSIGNED to Finance and Labor Committee

Heard in Committee. Speaker: Harvey Rose, Budget Analyst. Amended to provide retroactivity.

AMENDED.

Resolution concurring retroactively with the Controller's certification that the laundry services can be performed for the Department of Public Health, San Francisco General Hospital by private contractor for a lower cost than similar work performed by City and County employees. (Public Health Department)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001348 [Prop J, Contracting out Paratransit Services]

Resolution concurring retroactively with the Controller's certification that paratransit services for the Public Transportation Commission can be practically performed by a private contractor at a lower cost than by City and County employees. (Public Transportation Commission)

7/20/00, RECEIVED AND ASSIGNED to Finance and Labor Committee

Heard in Committee. Speaker: Harvey Rose, Budget Analyst. Amended to provide retroactivity.

AMENDED.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001427 [Release of Reserved Funds, Fire Department]

Hearing to consider release of reserved funds, Fire Department, (1986 Fire Protection Bond interest earnings, File 101-95-61: Ordinance No.127-96), in the amount of $21,026 to fund the construction and construction management associated with the repair of an Auxiliary Water Supply System (AWSS) leak at Cargo and Amador Streets. (Fire Department)

Heard in Committee. Speaker: Harvey Rose, Budget Analyst. Release of reserved funds in the amount of $21,026 approved.

APPROVED AND FILED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

000931 [Purchase of real property from Alberts Trust containing 11,651 sq. ft. as an extension of the Edgehill Mountain Open Space for a total cost of $206,000]

Supervisors Teng, Bierman, Becerril

Resolution approving and authorizing the acquisition of real property in the Forest Hills area identified as Assessor's Block No. 2923, Lot 67, for $206,000 from the Florence G. Alberts and Burton H. Alberts Living Trust, for open space purposes and adopting findings pursuant to Planning Code Section 101.1.

(General Rule Exclusion from Environmental Review)

(Fiscal impact.)

5/17/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

7/7/00, TRANSFERRED to Housing and Social Policy Committee.

7/18/00, AMENDED. Heard in Committee. Speakers: Anthony DeLucchi, Director of Property, Real Estate Division, Administrative Services Department; Steven Suacci, President, Greater West Portal Neighborhood Association; Stephen Ellis, M.D.; Herbert Runyon, Edgehill Neighborhood Association.
Amended on page 1, line 4, by replacing "$200,000" with "$206,000." Supervisors Bierman and Becerril added as co-sponsors. Transferred to the Finance and Labor Committee for fiscal impact consideration.

7/18/00, RECOMMENDED AS AMENDED.

7/18/00, REFERRED to Finance and Labor Committee.

Heard in Committee. Speaker: Harvey Rose, Budget Analyst.

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

001279 [Housing Emergency Declaration]

Supervisors Ammiano, Becerril, Bierman, Katz

Resolution declaring a housing emergency in the City and County of San Francisco.

7/10/00, REFERRED FOR ADOPTION WITHOUT COMMITTEE REFERENCE AGENDA AT THE NEXT BOARD MEETING.

7/17/00, SEVERED FROM FOR ADOPTION WITHOUT COMMITTEE REFERENCE AGENDA. Supervisor Kaufman requested this matter be severed so it could be considered separately.

7/17/00, REFERRED to Finance and Labor Committee. Supervisor Kaufman requested this matter be referred to committee.

8/9/00, CONTINUED. Continued to August 23, 2000.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

SPECIAL ORDER - 11:00 A.M.

001225 [Closing of Montessori Children's Center]

Supervisor Ammiano

Hearing to inquire into the reasons for the proposed closing by the Carmel Companies of the Montessori Children's Center, a preschool serving the Park Merced community for 24 years.

6/26/00, RECEIVED AND ASSIGNED to Finance and Labor Committee

Heard in Committee. Speakers. Supervisor Ammiano, Bert Polacci, Carmel Companies; Supervisor Bierman, Keviv Boden, Montessori Children's Center (MCC); Judith Flynn, MCC; Alberta Rose, S. F. State College, Helen Brown; Pam David, Director, Mayor's Office of Community Development, Susan Wong, Vicki Inglis, Catherine Dauterman, Teacher, MCC; Caan Nguyen; Peter Brown, Teacher, MCC; Norman Yee, Wu Yee Children's Services; Sunil Wijesinghe, MCC, Kathy Jones-Wright, Andriana Boden, Chris Palamountain, Attorney, Child Care Law Center; September Jarrett; John Robert Flynn-York, Donna Wheeler, Realtor, Charles Burnard, Nina Walters, Judith Baker, South of Market Childcare Center, Danielle Rodriguez, Robert Pander; Dave Clifford; Garrett Jenkins, Rita Harounian, Kara Chien, Dr. Ruven Jaffe, Connie Pascal, Phillis Dietz; Supervisor Yee

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

ADJOURNMENT

The meeting adjourned at 1:00 p.m

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

August 17, 2000

TO: Finance and Labor Committee

FROM: Budget Analyst

SUBJECT: August 23, 2000 Finance and Labor Committee Meeting

Item 2 – File 00-1362

Item: Resolution designating the San Francisco Bay Times for outreach advertising services for the City and County of San Francisco for the Lesbian/Gay/Bisexual/Transgender community for FY 2000-2001.

Description: Proposition J, which was approved by the San Francisco electorate in November of 1994, provided, in part, for an Outreach Advertising Fund to be established for the purpose of the City placing "outreach advertising" or weekly notices of items pertaining to governmental operations in periodicals selected to reflect the diversity in race and sexual orientation of the population of the City. Outreach advertisements include, but are not limited to, information about issues that are being reviewed by the Board of Supervisors and directly affecting the public. Proposition J requires the City to withhold 10 percent of the amounts paid for official advertising and deposit the monies in the Outreach Advertising Revenue Fund.

Comments:

1. Pursuant to Proposition J and in accordance with Section 2.81-2(a) of the Administrative Code, the City is required to withhold 10 percent of the annual amounts paid for the City's Type 1 and Type 2 official advertising and to deposit these monies into the Outreach Advertising Fund.

The City's official advertising is divided into two categories:

Type 1 – Advertisements for Two or More Consecutive Days: Official advertising which must be published on two or more consecutive days, and all official advertising which is required to be published in accordance with Section 2.103 of the Charter for special meetings of the Board of Supervisors and its standing or special committees. The Official Newspaper must publish at least 5 days a week for Type 1 Advertising.

Type 2 – Advertisements for Single or Non-consecutive Days: Official advertising, which must be published one time, other than one-time advertising related to special meetings for the Board of Supervisors and its standing and/or special committees, or more than one time but not more than three times per week for a specified number of weeks. The Official Newspaper must publish at least 3 days a week for Type 2 Advertising.

Mr. Luis Espinoza of the Purchasing Department estimates that the FY 2000-2001 cost for the City's Type 1 ($23,860) and Type 2 ($917,670) official advertising would total $941,530. Therefore, the estimated amount available for outreach advertising is $94,153, or 10 percent of the $941,530 total.

2. According to Mr. Espinoza there is a balance of approximately $56,902 in the Outreach Advertising Fund as of August 8, 2000.

3. The San Francisco Bay Times was the only bidder for outreach advertising for the lesbian/gay/bisexual/transgender community for FY 2000-01. However, the San Francisco Bay Times did not qualify for recommendation by the Purchasing Department to be an

outreach advertising newspaper through the bidding process because it is not printed in San Francisco and because it is printed only once every two weeks rather than weekly. Mr. Espinoza advises that Section 2.81-4 of the Administrative Code states, "If the Board of Supervisors finds that certain neighborhoods are not being adequately served by the official newspaper(s) and the outreach periodicals, the Board may authorize additional advertising in monthly neighborhood publications which target certain neighborhoods in San Francisco. (Added by Proposition J, 11/8/94)." Mr. Edwin Lee, Director of Purchasing at the Department of Administrative Services, states in a letter dated May 10, 2000 to the Clerk of the Board that the Board of Supervisors may designate a non-qualifying newspaper to provide outreach advertising services to those communities who are underserved by the qualifying newspapers.

Recommendation: Approval of the proposed resolution is a policy matter for the Board of Supervisors.

Item 3 - File 00-0985

Note: This item was continued by the Finance and Labor Committee at its meeting of August 2, 2000. This report is based on an amended contract that was negotiated by the Public Utilities Commission staff and the San Francisco Water Alliance subsequent to the Finance and Labor Committee's initial hearing on the proposed resolution on July 19, 2000. The Budget Analyst notes that the Public Utilities Commission has not, as of the writing of this report, formally approved the amended contract. The proposed contract, as amended, will be considered by the Public Utilities Commission at its meeting of August 22, 2000.

Department: Public Utilities Commission (PUC)

Item: Resolution approving the Public Utilities Commission Program Management Services Contract with the San Francisco Water Alliance, a joint venture of Bechtel Infrastructure Corporation, The Jefferson Company, and Sverdrup Civil, Inc.

Amount: Up to $45,000,000 over four years. According to Mr. Michael Quan of the PUC, this maximum contract amount comprises an estimated (a) $8,000,000 for Contract Year 1, (b) $14,000,000 for Contract Year 2, (c) $12,000,000 for Contract Year 3, and (d) $11,000,000 for Contract Year 4.

According to Mr. Manfred Wong of the PUC, the amount of $45,000,000 was initially approved by the PUC Commissioners on the basis of an estimated cost of $15,000,000 for each of three main categories of work to be performed by the Contractor over the term of the subject contract. Revised estimates for the relative proportions of estimated costs of each of these categories of work, based on the data contained in Attachment I (provided by the San Francisco Water Alliance and the PUC) and summarized under "Proposed Contractor Remuneration" below, are as follows:

(1) The Program Management Office, which would provide services to structure, direct, and implement the program and to train PUC staff, is estimated to cost approximately $22,000,000, or approximately 48.9 percent of the maximum contract cost over the four year contract term.

(2) Project and construction management services and technical support services are estimated to cost approximately $23,000,000 or approximately 51.1 percent of the maximum contract cost over the four year contract term.

The Budget Analyst notes that these proportions represent a significant change from prior information provided by the PUC. Whereas the Program Management Office function was initially estimated to be approximately 33 percent of the total maximum Contractor remuneration, it is now estimated to be approximately 48.9 percent even though the PUC retains total program management responsibility and does not share that responsibility with the Contractor, as originally envisaged. Project and construction management services and technical support services, which were initially estimated to be approximately 67 percent of the total maximum Contractor remuneration, are now estimated to have reduced to approximately 51.1 percent even though the PUC cites its need for technical expertise as one of the key reasons for the subject contract.

Source of Funds: Mr. Wong states that the PUC expects to fund the subject contract through existing bonds[1], operating revenues, and future bond proceeds, progressively securing funding as the capital improvement program proceeds. Mr. Wong states that if future bond funding for the proposed capital improvement program is not approved by the voters or funding for the capital improvement program is not appropriated by the Board of Supervisors, the Contractor would not be requested or paid to perform program management services. According to Mr. Wong, the PUC believes that over the course of the four year contract term, the maximum $45,000,000 cost of the Contractor would be more than offset by the anticipated $138,000,000 savings generated by the Contractor. The estimated savings of $138,000,000 are based on savings of 10 percent for the estimated $1,380,000,000 cost of the first four years of the capital improvement program. The $1,380,000,000 total cost

[1] In November of 1997, San Francisco voters approved $304,000,000 in Water Revenue Bonds. The PUC can also utilize $238,000,000 remaining available funds from bonds issued in 1991, 1992, and 1996 for the replacement of existing facilities and for compliance with Federal and State law. Mr. Wong advises, however, that funding beyond these approved amounts, which total $542,000,000, is uncertain.

estimate was prepared by PUC staff in 1998 and has not been reviewed or adjusted since. A new estimate will be included in the anticipated November of 2000 draft of a new ten year capital improvement plan, according to PUC staff.

Description: Under the subject contract, the proposed Contractor would provide program management services to the PUC to organize and implement its capital improvement program by:

- Providing specialized expertise in the management of very large capital programs.
- Improving the PUC's engineering and construction operations by developing program management and control plans, systems, tools, and reports.
- Providing personnel for workload peaks (except on detailed design work).
- Designing a PUC staff development program.
- Developing a public information program.
- Assisting disadvantaged business enterprises.

The Budget Analyst's previous report indicated, based on information provided in the PUC's RFP, that identification of new funding sources for the capital improvement program would be one of the tasks to be performed by the Contractor. In response to a specific question raised by the Finance and Labor Committee about this proposed Contractor role, PUC staff now advise that identification of new financing sources is not a task required by the subject contract. Instead, this work will be done by PUC staff. PUC staff note that (a) the PUC's Assistant General Manager for Finance and Administration has almost 20 years of financing experience, (b) the PUC has issued a RFP for contractual financial advisory services (in addition to the subject $45,000,000 San Francisco Water Alliance contract), and (c) the PUC's Finance Bureau is being reorganized to increase its financial planning and debt administration capacity.

In response to a specific question raised by the Finance and Labor Committee about the Contractor's involvement in developing a public information program, PUC staff advise that existing PUC staff would provide the bulk of the public information program effort. However, because the capital improvement program involves planning and construction work in a number of widely dispersed counties, PUC staff

believe they will need assistance with public meetings, community outreach, informational materials, and media relations. PUC staff state that when special skills or staff augmentation is required, the Contractor would provide as-needed support services to the PUC's communications staff as part of the subject $45,000,000 contract.

With regard to assisting disadvantaged business enterprises, program participation goals of 30 percent minority-owned business enterprise (MBE) participation and 10 percent women-owned business enterprise (WBE) participation would apply to the first year of the subject contract. In response to a specific question raised by the Finance and Labor Committee about how the subject contract's MBE/WBE goals were determined, PUC staff advise that these goals were established in accordance with City regulations, practices, and procedures. According to information provided by Mr. Quan, the Contractor's actual MBE/WBE participation rate would be in excess of the minimum first year requirements. In addition, the Public Utilities Commission required, with the concurrence of the Human Rights Commission, that MBE program participation goals would increase 2 percent annually and WBE participation would increase 1 percent annually. The MBE and WBE subcontractors which are part of the San Francisco Water Alliance are listed in appendices to the subject contract.

Background: In February of 1998, the PUC published a draft of its long-term water enterprise capital improvement plan. The plan proposed a 12 year capital improvement program comprising approximately 200 water projects for a total cost of approximately $3,500,000,000 to (a) upgrade the water system infrastructure, (b) respond to increasing service demands, and (c) fulfil new regulatory requirements.

Having undertaken initial program planning, the PUC proposed contracting out the program management of the capital improvement program. The initial concept was for a ten year program management services contract (renegotiable every four years). Under that proposed contract, a chief program management contractor would report directly to the PUC Commissioners and contractor staff would provide long term assistance to PUC's Utilities

Engineering Bureau (UEB) staff with a senior consultant team reporting to the UEB Manager. The proposed concept for the integration of PUC and contractor staff was that they would share decision-making responsibilities and would share the program risks.

Following PUC staff members' December 15, 1998 presentation to the Commission on the proposed capital improvement program, the Commission authorized the drafting of a Request for Proposals (RFP). As part of the RFP drafting process, in February of 1999 the PUC consulted with the International Federation of Professional and Technical Engineers (IFPTE) Local 21, AFL-CIO. In March of 1999, the IFPTE sought an injunction against the subject contract on the grounds that (a) Section 10.104 of the City Charter prevents contracts with private companies for program management services until the Controller and the Board of Supervisors have determined that such work can performed under private contract at a lower cost, and (b) its members would be unlawfully deprived of public sector work they could competently perform at a lower cost. On March 13, 2000 the San Francisco County Superior Court issued a summary judgement in favor of the PUC and against the IFPTE on the grounds that Charter Section 10.104 did not apply and hiring a program management contractor was justified by (a) the urgent need for the capital improvement program, (b) the PUC's need for specialized expertise over and above its commitment to hire more engineering staff, (c) the temporary nature of the program management contractor's services, (d) the PUC's potential need for engineering assistance to staff temporary peak workloads, (e) the speculative nature of the IFPTE's claim that there would be duplication or displacement of PUC staff, and (f) the Civil Service Commission's approval of the subject contract on June 4, 1999. According to Ms. Linda Ross of the City Attorney's Office, the IFPTE has subsequently filed a Notice of Appeal. As of the writing of this report, the Budget Analyst has no further information on the status of this appeal.

During the lawsuit, negotiations between the PUC and the IFPTE significantly scaled down the subject contract's original concept. The RFP, as advertised in July of 1999, was for a four year contract not to exceed $45,000,000 (depending

on availability of funding), in which as-needed contractor staff would report to UEB managers. There would be no direct reporting line to the PUC Commissioners, PUC management would retain full decision-making responsibilities, and contractor staff would not directly supervise City employees.

Four private firms and joint ventures submitted bids on September 15, 1999. These were:

- San Francisco Water Alliance, a joint venture of (1) Bechtel Infrastructure Corporation, (2) The Jefferson Company, and (3) Sverdrup Civil, Inc., in association with (a) Olivia Chen Consultants, Inc., (b) Carollo Engineers, (c) Raines, Melton & Carella, Inc., (d) Cooper Pugeda Management Inc., (e) Greg Roja and Associates, Inc., (f) Whitted Dawson Associates, Inc., and (g) Orion Environmental Associates.
- The H_2O Partnership, a joint venture between (1) O'Brien-Krietzberg Associates, (2) CH2M HILL, and (3) EPC Consultants, Inc, in association with (a) Cornerstone Concilium, Inc., (b) DAJA, Inc., (c) Mendoza and Associates, (d) Saylor Consulting Group, (e) JFW Consultants, (f) Pendergast & Associates, (g) Butler Enterprise Group, (h) Micro Search Environmental, (i) Ocampo-Esta Corporation, and (j) Cervantes Design Associates.
- San Francisco Water Associates, a joint venture between Parsons Infrastructure and Technology Group Inc., AGS Inc., and Don Todd Associates, Inc., in association with 11 subcontractors.
- Montgomery Watson Americas, Inc., in association with 27 subcontractors.

A team of City staff comprising Ms. Virigina Harmon of the Human Rights Commission, Mr. Bill Keany of the PUC, Mr. Paul Mazza of the PUC, Mr. Quan, and Mr. Wong reviewed all four proposers by means of client site visits during November and December of 1999. A four member expert evaluation panel then interviewed the four proposers and scored each of them against the criteria set out in the RFP (as shown in Attachment II). This evaluation panel consisted of Dr. Johnnie Clark, a financial consultant, Ms. Margaret Leporte, representing the Bay Area Water Users Association,

Ms. Raynetta Grant, a local government water utility engineering manager, and Mr. Kevin Lyons of the PUC. The evaluation team scored the H_2O Partnership proposal highest (with a score of 2,780[2]) and the San Francisco Water Alliance second highest (with a score of 2,700). Montgomery Watson Americas, Inc. scored 2,480, while San Francisco Water Associates scored 2,460. The PUC Commissioners interviewed the top two scoring joint ventures at a public meeting on April 7, 2000, and indicated a preference for the San Francisco Water Alliance, subject to successful negotiations over contract costs. No reason was given as to why the Commissioners gave first preference to the San Francisco Water Alliance which had previously received a lower score from the expert evaluation panel than the H_2O Partnership. On May 10, 2000, the PUC awarded the proposed contract to the San Francisco Water Alliance subject to final contract negotiation and approval of the Board of Supervisors.

Initial consideration of the subject contract by the Finance and Labor Committee at its July 19, 2000 meeting resulted in the PUC requesting a two week continuance to negotiate (a) performance measures for inclusion in the subject contract, and (b) greater Board of Supervisors oversight. Successful negotiations between the PUC and the San Francisco Water Alliance have resulted in agreed performance measures (see Comment No. 2) and provision for annual Board of Supervisors approval to renew the subject contract (see "Terms of the Subject Contract" below). The PUC has also provided responses to other specific questions raised by the Finance and Labor Committee. These responses have been incorporated into the text of this report, while the PUC's written responses are included in Attachment IX (see Comment No. 18).

The Public Utilities Commission is scheduled to consider the amended contract at its meeting of August 22, 2000.

[2] Scores are calculated by multiplying the qualitative score for each one of the six criteria by the respective weight to obtain the weighted score for each of the criteria. For example, the weight for Criterion 6 (Understanding of SFPUC Program) is 10; therefore, a qualitative score of 5 will translate into a weighted score of 50 for an individual evaluator.

Terms of the Subject Contract: Key contractual terms and conditions are as follows:

- The City can, at its sole discretion, terminate the subject contract at any time. In response to a specific question raised by the Finance and Labor Committee about this provision, PUC staff advise that a termination for convenience right permits the City to terminate the contract at any time during its term, for convenience and without cause. The City can exercise this option by giving the Contractor written notice of the effective termination date. The subject contract does not mandate advance notice of any predetermined length of time. Contractor invoices for work undertaken up to the specified termination date would have to be submitted to the City no later than 30 days after that date.
- The City has no obligation to fund the subject contract in lieu of funding other contracts.
- The subject contract can only be extended beyond the initial term of four years with the Civil Service Commission's approval[3].
- The PUC controls the Contractor's role and assignments in terms of an annual implementation plan based, in part, on an annual performance review jointly conducted by the PUC and the Contractor. As a result of the annual review and the annual implementation plan, the City and the Contractor would determine the contractor staffing required during the next 12 months and the necessary contract budget.
- Contractor and City staff would share City office space[4] and work in combined teams under PUC managers.
- Existing City staff would be used to the fullest extent. City engineers (or third party contractors) are the Engineers of Record[5] and construction managers for all

[3] In the opinion of Ms. Ross, any extended contract would require (a) separate Civil Service Commission authorization, and (b) Board of Supervisors approval if the extended contract would cost the City more than $10,000,000.

[4] According to Ms. Wendy Iwata of the PUC, the PUC plans to spend approximately $300,000 in FY 2000-01 to renovate City office space for contractor staff.

[5] The "engineer of record" is a State requirement that a certified engineer be legally responsible for approving the design of a structure so that it is safe for public occupancy. The engineer of record assumes liability for the design for both the duration of the contract and for the subsequent warranty period. While the proposed contract does not allow the Contractor to assume this role, it would permit the Contractor to provide preliminary or conceptual engineering services and prepare schematic drawings to the extent necessary to define upcoming capital projects.

capital improvement projects. The Contractor obtains written authorization from the City before (a) adding staff or subcontractors to its team, or (b) supplying personnel to provide expert services or to handle workload peaks.

- The Contractor trains PUC personnel in systems, techniques, or technology used by the Contractor.
- The Contractor assigns a core team of experienced individuals (named in the subject contract's appendices) for the duration of the contract. Replacements for key personnel are subject to the City's agreement.
- The Contractor's performance is subject to third party audit[6].
- The Contractor reports monthly to the PUC on its performance.
- To prevent conflicts of interest, the Contractor and its subcontractors cannot bid on PUC design proposals or construction contracts during the term of the subject contract. (However, subcontractors can bid if the UEB determines that there is no conflict of interest, according to Mr. Wong.)
- The Contractor is an independent consultant fully liable for its acts and omissions. In response to a specific question raised by the Finance and Labor Committee about this provision, PUC staff advise that, under the subject contract, the Contractor has full liability for its subcontractors.
- During disputes, the Contractor and subcontractors waive all rights to discontinue services or seek any relief which would stop or delay the progress of capital improvement projects.

The subject contract would have a maximum four year term. Within that term, the Controller would be required each year to certify the availability of funds for the subject contract. Under the amended terms of the subject contact, <u>such certification would depend upon annual Board of Supervisors approval to continue the subject contract</u>. Board of Supervisors approval would, in large part, depend upon objective evidence, provided by the PUC and verified by an independent audit performed by the Controller, that the Contractor had performed successfully against negotiated

[6] According to Mr. Wong, the PUC is in discussions with the City Controller's Office about the Controller's involvement in such audits.

performance measures. In the event that the Board of Supervisors disapproves continuation, the contract would terminate with no liability on the part of the City. In the event that the Board of Supervisors does not act to disapprove continuation of the subject contract (provided the PUC has submitted the necessary performance reports in a timely fashion), the subject contract would continue.

Proposed Contractor Remuneration:

Within an upper cap of $45,000,000 over four years, under the subject contract the PUC would pay the Contractor through a combination of (a) direct salary costs (not including fringe benefits), (b) overhead costs (including fringe benefits), (c) a combination of fixed and performance fees, (d) administrative fees, and (e) other direct charges. Attachment I, provided by the San Francisco Water Alliance and the PUC in response to a specific Finance and Labor Committee request for an estimated break-down of the $45,000,000 budget into these five remuneration categories, shows a break-down of the $45,000,000 into the four categories shown in the Table below (direct salary costs and other direct costs are combined). The PUC notes that the remuneration to the Contractor shown below could change depending on funding availability and the capital improvement projects actually undertaken.

	Category 1: Direct Salary, Overhead, Multiplier, and Other Direct Costs	Category 2: Fixed Fee	Category 3: Maximum Performance Fee	Category 4: Subcontractor Administrative Fee	Maximum Total
Program Management Office	$19,590,000	1,240,610	847,830	177,230	21,855,670
Project and Construction Management Services, and Technical Support Services	20,650,000	1,349,390	922,170	192,770	23,114,330
TOTAL:	$40,240,000	$2,590,000	$1,770,000	$370,000	$44,970,000

At a maximum cap of $45,000,000, the estimated 412,435 hours of Contractor work, as shown in Attachment I, would represent approximately $109 per hour. Due to the lack of a PUC staffing projection for the capital improvement program (see Comments No. 8 and 9), it is not possible to compare this hourly rate with the hourly rate of using City employees instead.

(a) Direct salary costs: Under the subject contract, direct salary costs would be limited to the actual salaries of the Contractor's project managers and technical staff. Charges for home office staff such as secretaries, clerks, and accountants would be included in the overhead for work charged at the Contractor's offices except those working directly on the project as approved and budgeted by PUC project managers in the relevant task order. The subject contract specifies the direct hourly rate for key individual contractor staff (ranging in Contract Year 1 between $30.00 to $76.15 per hour without overhead). The billing rate for Contractor staff including overhead, which comprises direct salary plus a multiplier, is capped at $140.00 per hour in the first year (the PUC General Manager can approve exceptions) but can be adjusted in accordance with the Consumer Price Index thereafter. Salary rates can be adjusted annually by the amount of the change in the Consumer Price Index (CPI) for the previous year[7].

(b) Overhead Fees: Before the end of the first year of the subject contract, the Contractor would arrange for an independent audit of the overhead costs applied to direct salary costs. According to Mr. Wong, this audit would be performed by an independent auditor and would be reviewed by the Controller's Office in accordance with the standards of the Code of Federal Acquisition Regulations. Pending this audit, in the first year of the contract (depending on the actual results determined by the audit), provisional overhead fees would range between (a) 125 and 154 percent of direct salary costs for work performed by the prime consultants in their own offices, (b) 78 and 172 percent of direct salary costs

[7] Adjustments for individual Contractor employees could exceed the maximum CPI movement provided that the total adjustment dollars for Contractor employees dedicated to the subject contract does not exceed the maximum dollars based on the total direct salary paid on the contract for the previous year plus the CPI.

for work performed by subcontractors in their own offices, (c) 104 and 115 percent of direct salary costs for work performed by the prime consultants in PUC offices or construction sites, and (d) 113 percent of direct salary costs for work performed by the subcontractors in PUC offices or construction sites. The overhead rates would be adjusted annually, based on the annual audit. However, in no case can the audited overhead rate for any prime consultant or subcontractor exceed (a) 172 percent for work performed in their own offices, or (b) 115 percent for work performed in PUC offices or construction sites (117 percent if payroll tax is included). According to information provided by Mr. Quan, the negotiated overhead rates appear to be comparable with those negotiated for other large public sector capital improvement programs.

(c) Fixed and Performance Fees: In addition to direct salary costs and related overhead fees, the Contractor would also be remunerated on the basis of the "performance/at-risk fee" arrangement outlined in the Table below, depending on the Contractor's achievement of tasks prescribed by the City, each task having a specific scope of work, timeframe, guaranteed maximum cost structure, savings target, and other performance measures. Assuming successful task completion, the Contractor receives a fixed fee as a percentage of the Contractor's contract billing for that task[8]. Assuming partial or complete achievement of the savings target and other performance measures, the Contractor receives some or all of an at-risk performance fee as a percentage of the Contractor's contract billing for that task. The percentage levels for both fixed and performance fees vary by contract year, as shown in the table below:

[8] "Contract billing" comprises just the Contractor's billing for work performed. It includes neither authorized pass-throughs for other direct costs nor the fee amounts paid by the City for subcontractors' invoices.

Contract Year	Fixed Fee as Percentage of Annual Contract Billing	Performance Fee as Percentage of Annual Contract Billing	Maximum Total
1	8.0%	0.0%	8.0%
2	7.0%	4.5%	11.5%
3	6.0%	5.5%	11.5%
4	5.0%	6.5%	11.5%

According to information provided by Mr. Quan, the maximum total annual fee for Contract Years 2 through 4 appears to be at the low end of the range of fees payable to program management services contractors involved in other public sector capital improvement programs.

According to Mr. Wong, the fixed fee component would be paid by the City as invoices are submitted by the Contractor, while the performance fee component would be paid by the City semi-annually. In response to a specific question raised by the Finance and Labor Committee about the PUC's processing of Contractor invoices, PUC staff advise that invoices would be submitted through the normal approval procedure of the PUC's project manager and the PUC's Contracts Administration Section for approval prior to review, approval, and payment by the Controller's Office.

(d) Subcontractor Administrative Fee: The PUC would also pay an administrative fee to the Contractor's joint venture partners of 3 percent of subcontractors' direct salaries plus overhead costs. Mr. Wong states that this administrative fee reimburses the Contractor for some of the administrative costs related to managing a number of Disadvantaged Business Enterprise subcontractors. In response to a specific question raised by the Finance and Labor Committee about determination of the subcontractor administrative fee level, PUC staff advise that the 3 percent rate was determined through negotiation between the PUC and the Contractor and compares favorably to the industry average of 5 percent for such administrative fees. Five

percent is the standard subcontractor administrative rate used in other City contracts, according to PUC staff.

(e) Other Direct Charges: In response to a specific question raised by the Finance and Labor Committee about other direct charges, PUC staff advise that all other direct charges incurred by the Contractor would be approved in advance by the Manager of the UEB if they are in conformance with the Code of Federal Acquisition Regulations (the standard applied to City employee expenses), directly related to a project, and consistent with City policies. They would be reimbursed at cost as no mark-ups would be allowed. Such charges would be limited to out-of-town travel, messenger services, specialty printing, specialized software and hardware, and specialized services, materials, and equipment not provided by the PUC. Any equipment purchased through this contract would become the property of the PUC.

Comments: Program Cost Savings

1. UEB staff contend that the subject contract would secure program cost savings by means of economies of scale, program efficiencies, project acceleration, contract negotiation power, increased purchasing power, innovative technology, value engineering[9], and controlled changes to the program's scope and schedule. UEB staff contend that relying on PUC employees to manage the capital improvement program would increase costs because it would lengthen the time taken to complete the program.

Mr. Wong states that program management services contracts' ability to offset costs through savings have been demonstrated internationally. This argument was initially supported only by the anecdotal evidence contained in six highly summarized United States case studies which make up the small sample. The PUC staffs presentation to the PUC Commissioners of three positive examples was accompanied by the disclaimer that "Meaningful measurement of cost savings is difficult ... because the

[9] "Value engineering" is the independent overview of a facilities plan, its design criteria, and its conception at no more than 20 percent of design completion, to ascertain how well and cost effectively a plan addresses the engineering problem it is meant to solve.

benchmark is often not well defined, and most calculations are based on preliminary estimates of program costs made by the program management contractors themselves." Furthermore, the information presented was gathered verbally by PUC staff and is unsupported by audited written documentation. The second three examples represent a selection of public sector program management failures which neither fully evaluate the root causes of the cost overruns associated with those projects, nor explain how a program management consultant would address those problems. For example, the Budget Analyst notes that the cost of the Boston Central Artery Program has been significantly affected by project scope changes, environmental mitigation, and inflation, three factors which could be equally outside of the control of either public or private sector program managers.

To provide further evidence of program cost savings, the PUC has subsequently solicited the following three letters from clients of the proposed contractors about the benefits of capital improvement program management services (the testimony was submitted at the July 19, 2000 Finance and Labor Committee meeting):

- The former Manager of the capital improvement program of the City of Portland, Oregon testified that Sverdrup Civil, Inc. saved that city $45,000,000, or 15 percent, of the first $300,000,000 of projects to eliminate sewer overflows into the Williamette River.
- The former Executive Director of the Santa Clara County Traffic Authority testified that Bechtel Infrastructure Corporation saved $116,000,000, or approximately 9.7 percent, of a $1,200,000,000 transit infrastructure capital improvements program, and took between four and 13 years less than the schedule originally estimated by Caltrans.
- The Managing Director of North West Water Limited in the United Kingdom testified that Bechtel Infrastructure Corporation's program management services saved $485,000,000, or approximately 21.1 percent, of its $2,300,000,000 capital improvement program.

2. The initial contract considered by the Finance and Labor Committee lacked performance measures which would

permit the PUC to measure the program cost savings generated by the Contractor. In response to concerns expressed by the Finance and Labor Committee, the PUC and the Contractor have negotiated the long term and short term performance measures and first year milestones contained in Attachment III. These performance measures and first year milestones form an Appendix incorporated by specific reference in the proposed contract. At the end of the first contract year, the Contractor's performance against each performance measure and milestone would be assessed in terms of improvement relative to the UEB's current performance (the "baseline" measure). The Contractor's performance against the baseline would be used to determine the succeeding year's performance goals. The Budget Analyst considers that any audit of Contractor performance against contractual performance measures should also verify the validity and accuracy of the baseline measures. According to PUC staff, the PUC is confident that the baseline performance measures proposed for the performance measures contained in Attachment III would be found to be accurate and relevant under such independent auditor verification.

PUC staff state that additional performance measures and milestones will be added in future years as the nature of the work changes.

In addition to the annual PUC report to the Board of Supervisors on the Contractor's performance, PUC staff could facilitate Board of Supervisors program oversight and control by providing the following:

- The Contractor's monthly written reports to the Public Utilities Commission.
- The Contractor's quarterly presentations to the Commission.
- The PUC and Controller's Office semi-annual audits of progress against performance measures.
- The annual review by the Controller's Office of independent financial audits of each contractor participating in the San Francisco Water Alliance.

3. PUC retention of overall program management responsibility appears to have the following advantages over

sharing decision-making responsibility with, or delegating such responsibility to, a program management services contractor:

- Program accountability, final decision-making, expenditure authorizations, and overall cost control responsibility reside appropriately with City employees.
- PUC staff members' expertise in local water and sewer systems is maximized.
- City employees are the most familiar with San Francisco's public sector administrative, appropriation, and policy development processes, and with the expenditure requirements of bond-funded programs.
- An organizational focus on the capital improvement program will require the PUC to plan the future management of its infrastructure more strategically.

<u>Personnel Cost Savings</u>

4. PUC staff contend that the subject contract would secure considerable personnel cost savings for three reasons:

(a) The PUC would not need to hire additional staff who would no longer be necessary once they had completed work related to the capital improvement program. PUC staff have not estimated the total amount of these alleged savings. However, given natural staff attrition over a 12 year program comprising approximately 200 diverse projects, the Budget Analyst questions whether the PUC would actually need to terminate any staff after completion of the capital improvement program.
(b) The Contractor could respond more flexibly to changing staffing requirements and workload peaks. The Budget Analyst notes, however, that redeployment or addition of contractor staff is subject to prior PUC approval which raises the question of whether such redeployment or addition of contractor staff would actually be faster than redeploying PUC staff.
(c) Using contract staff would circumvent the difficulties in hiring new permanent staff (see Comments No. 6 and 7 below).

5. Mr. Phil Arnold of the PUC provided an informal comparison of UEB staff classifications at 1998-99 salary

levels with the 1997-98 hourly billing rates for comparable staff employed by a selection of as-needed UEB contractors. Mr. Arnold states that this comparison indicates that the UEB pays more for low level staff, but less for high level staff. Therefore, using the Contractor's more junior staff for peak workloads would be cheaper than the UEB hiring equivalent staff. The Budget Analyst notes, however, that low level staff are likely to perform functions which could be competently performed by City employees. In situations where the UEB only requires specialist technical skills for short periods of time, UEB staff contend that the higher cost of contractor staff is offset by the costs imposed by the civil service hiring constraints described below.

6. PUC staff emphasize the difficulty in hiring permanent City staff, citing the following reasons for hiring delays:

(1) The lengthy process to fill even recently vacated positions for which there is budgetary provision.
(2) Outdated civil service lists, union protests about list certifications, and the Department of Human Resources' reluctance to permit provisional hires before lists are completely exhausted.
(3) The lack of certain specialist job classes in the Civil Service Commission's classification system which does not permit the PUC to request specific job skills within, for example, the construction management, architect, or engineer classes.

7. As previously reported to the Finance and Labor Committee, the PUC takes between 33 and 68 weeks (or more) to hire a staff member into a budgeted position. Of this time, the Budget Analyst notes that between 21 and 29 weeks is consumed by processing the filling of a vacancy <u>within</u> the PUC. While the PUC needs to work closely with the other agencies involved in personnel hiring to expedite recruitment, the Budget Analyst strongly recommends that the PUC also streamline its own personnel hiring practices. In a letter dated February 10, 2000 to the California State Auditor, the PUC General Manager wrote that the PUC personnel unit "was increased in 1998 by twelve positions (a growth of approximately thirty percent) to promote additional hiring." Despite these 12 new positions, and the three new personnel positions approved in the FY 2000-01

budget (a 1204 Senior Personnel Clerk, a 1241 Personnel Analyst, and an 1817 Procedural Writer), the Budget Analyst notes that ongoing internal PUC personnel processing delays seem to continue. Such hiring delays have significantly contributed to the UEB salary underexpenditure of $11,702,490 for the first 11 months of FY 1999-00[10].

8. The Budget Analyst also notes that the PUC has not formulated a rigorous staffing projection beyond FY 2000-2001, even for the short-to-medium term, to staff City positions for the capital improvement program. The PUC has not determined:

- The exact number of full-time equivalent staff the PUC would require if the PUC was to provide all the staff required for its capital improvement program.
- Those staff members' job descriptions, job classifications, and their level of seniority within those job classifications.
- The most appropriate employment conditions for each position (for example permanent civil service, limited tenure, or temporary positions, or personal services contracts).
- When an existing classification could not provide the necessary engineering expertise.
- When staff from other City departments which employ construction management services staff could be used[11].
- The impact of attrition rates on employee turnover within different job classifications.

The Budget Analyst notes that the lack of a staffing projection led the California State Auditor to recommend that the PUC "develop a formal comprehensive plan to outline the staffing requirements necessary to complete its capital improvement plans."

9. The San Francisco Water Alliance has proposed that it will need to employ 45 staff for the first year of the subject contract, as listed in Attachment IV. According to Ms. Iwata, the PUC is currently seeking the Contractor's justification for this number of contract staff given that the PUC will need to

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[10] This underexpenditure figure includes both engineer and non-engineer salaries.

[11] Mr. Quan states that a review of DPW, MUNI, the Port, and the Airport undertaken in July and August of 1999 indicated that no such staff are currently available for PUC purposes.

find office space for them. Without a staffing plan, the Budget Analyst is unable to compare the relative costs and benefits of using City employees versus consultants for the capital improvement program. Furthermore, the Budget Analyst questions what staffing projection criteria the PUC will use to evaluate the Contractor's staffing requests.

PUC Performance and Workload Issues

10. During the three years between FY 1997-98 and FY 1999-00, the PUC capital improvement program budget totaled $402,546,036 (see Attachment V, provided by Mr. Wong). However, during the same three year period, the PUC expended just $265,752,104, or approximately 66 percent, of that capital improvement program budget (see Attachment VI, provided by Mr. Wong).

The California State Auditor has expressed concern at the insufficient capital improvement program activity given the identified capital improvement needs. The California State Auditor identified the following causes for capital improvement program management problems at the PUC: the absence of an effective tracking system to monitor the progress of capital projects and the completion of preventive maintenance, much delayed cost and schedule estimates for all identified capital improvement projects, inefficient contracting procedures (see Comment No. 16 below), outdated project operations manuals and procedures, weak capital project and preventive maintenance monitoring, and inadequate formal project management training.

11. As shown in Attachment VII, in the five years between FY 1995-96 and 1999-00, the number of filled UEB technical staff positions (denoted as "active engineers" in Attachment VII) has increased by approximately 188.7 percent, from 62 to 117. These technical staff are responsible for San Francisco Water Department (SFWD) and Hetch Hetchy Water and Power (HHWP) capital improvement projects only. According to Mr. Wong, under the Memorandum of Understanding between DPW and the PUC which transferred the responsibility for the Clean Water Program (CWP) from DPW to the PUC, DPW engineers remain responsible for the technical aspects of CWP capital improvement projects which are funded by the PUC.

12. In FY 2000-01, if the FY 1999-00 total of 117 filled technical staff positions is maintained, the current 39 technical staff vacancies are filled, and the 12 new technical staff positions approved for FY 2000-01 are also filled, then there will be 168 filled technical staff positions in the UEB. This represents an approximately 271 percent increase in technical staffing positions since FY 1995-96. The FY 2000-01 capital improvement program budget for SFWD and HHWP is $150,870,700. This represents an average budgeted capital improvement project workload for each of the 168 UEB technical staff in the amount of $898,040 in FY 2000-01.

13. The Budget Analyst notes, however, that in terms of actual SFWD and HHWP capital improvement program expenditures between FY 1995-96 and FY 1999-00, an average workload per filled UEB technical staff position of $898,040 would be approximately 40.5 percent higher than the previous high average workload of $639,140 in FY 1998-99. Mr. Wong of the PUC argues that the PUC could not achieve a 40.5 percent productivity increase per staff member. The Budget Analyst notes that a number of factors suggest that the PUC should be able to absorb at least a significant portion of that 40.5 percent workload increase:

- The PUC has invested in a number of initiatives to improve productivity, including the implementation of a new automated system to track preventive maintenance requirements, the development of a formal management training program, and wider advertising of the continuing education opportunities for staff.
- A considerable proportion of the new technical staff hired in FY 1999-00 were journey level or above.
- New technical staff received enhanced training in FY 1999-00.
- Long-term UEB technical staff's experience and expertise should increase significantly each year.
- The PUC's pool of technical expertise is growing with the planned increase from 117 to 168 technical staff in the UEB.

The Budget Analyst notes that every 10 percent increase in productivity over FY 1998-99 levels for all 168 UEB technical

staff would mean that $10,737,552 less work would need to be assigned to Contractor staff.

14. In addition, the Budget Analyst notes that the UEB augments its staff capacity by (a) assigning SFWD and HHWP projects to DPW, and (b) hiring architecture and engineering consultants through competitive procurement. On August 15, 1997 the PUC signed a Memorandum of Understanding with the DPW for engineering work in excess of UEB's capacity. This Memorandum of Understanding gives DPW the first right of refusal on PUC engineering work which cannot be undertaken by PUC staff.

15. According to Mr. Wong, the PUC is currently developing the latest update of its capital improvement program. As this planning process will not be complete until November of 2000, the PUC is unable to advise the Budget Analyst as to the projected capital improvement program budgets for each of the next four years. Mr. Wong advises that the capital improvement program budgets for each of the next four years are expected to be at least comparable to those in FY 1999-00 ($189,644,430) and FY 2000-01 ($178,870,700). However, it is not possible to calculate with any precision what the workload per UEB technical staff member over the four years of the subject contract will be. Given this, and the absence of a staffing plan (as noted in Comments No. 8 and 9 above), the Budget Analyst questions the PUC's ability to accurately quantify the workload impact of the PUC's capital improvement program on UEB staff and, therefore, the PUC's need for contractor staff to help with workload peaks.

Use of a Single Contractor

16. The IFPTE expressed concern that too many services are being bundled into the subject contract which potentially (a) deters termination of the contract in the event of performance failure, (b) allows the Contractor to assign work to itself or its subcontractors, and (c) provides a disincentive for the Contractor to provide accurate performance information to the PUC. In response, Mr. Wong advises that these concerns have been addressed by the negotiated contract in terms of (a) the termination of convenience clause, (b) City staff members' responsibility for final decisions, and (c) the requirement for regular monthly

reports, semi-annual reviews, and annual audits. Furthermore, Mr. Wong advises that the PUC Commissioners prefer one contract in order to:

- Centralize responsibility and accountability. By channeling the work through one prime Contractor, the PUC contends that it (a) makes the Contractor fully responsible for its output and the output of its subcontractors, (b) reduces the PUC's liability by having only one point of contact, and (c) reduces the subcontractors' liability because the prime Contractor carries the bulk of their liability.
- Maintain integration of program management and construction because (a) the profit for the Contractor comes from savings achieved (as explained in the section on "Proposed Contractor Fees" above), not from the program management services, (b) the Commissioners want a Contractor with specific utility business expertise who cares equally about program management and construction, and (c) integration supports the goal of centralized responsibility and accountability discussed above.
- Avoid multiple, expensive, and lengthy contractor selection processes. PUC staff contend that it is cheaper and quicker to have just one contract. With regard to cost, the PUC advises that the average cost of a contractor selection process is $150,000. With regard to length of time, a May of 1997 PUC consultant's report stated that it took six to 12 months for the PUC to complete a single contracting process, from development of the RFP to the award of the contract. This was twice as long as the DPW contracting process, according to the consultant. Since 1997, the PUC has revised its financial reporting and auditing standards, clarified its expectations and approval process for professional service contracts, and increased and centralized its contracting staff. The Budget Analyst would therefore assume that the PUC should now handle multiple contracts efficiently and cost effectively.

Role of Each Joint Venture Partner and Subcontractor

17. In response to the Budget Analyst's prior report on this proposed contract, Attachment VIII, provided by the San Francisco Water Alliance and the PUC, contains an organization chart which illustrates how lead Contractor staff from each of the joint venture and subcontractor organizations would be integrated into the PUC's capital improvement program staffing. Additional as-needed Contractor staff would be provided to meet peak workload demands. Attachment IV lists the 45 key Contractor staff who would be dedicated to the contract.

18. As previously noted, during its July 19, 2000 consideration of the first version of the subject contract, the Finance and Labor Committee raised a number of specific questions. Attachment IX contains the PUC's written responses to 13 questions posed by the Finance and Labor Committee. The PUC has not responded in writing to a further request that consideration be given to a Phase I and Phase II contract. Instead, the PUC has proposed amended contract language to provide for annual Board of Supervisors review of the Contractor's performance, as described in this report.

With regard to a request for more information about the Public Utilities Commission's selection of the proposed Contractor, PUC staff advise that the Vice-President of the Public Utilities Commission will be present at the Finance and Labor Committee's August 23, 2000 meeting to respond directly to the Committee.

Summary: Pursuant to Motion No. M99-38, approved by the Board of Supervisors on April 12, 1999, the Budget Analyst was directed to review the subject contract in terms of the following three-part question. Would the subject contract (a) increase or decrease costs, (b) increase or decrease the oversight of expenditures, and (c) provide any other benefits or costs when compared to managing the PUC's capital improvement program with existing and/or new City staff?

With regard to the first part of the question as to whether the subject contract would increase or decrease costs, the PUC

has provided the Budget Analyst with (a) limited substantive data, in the form of letters from clients of the proposed contractors, to prove the subject contract would decrease program costs, and (b) no data to prove that the subject contract would decrease personnel costs. The absence of a rigorous staffing projection beyond FY 2000-2001 to staff City positions for the capital improvement program means that the Budget Analyst is unable to compare the Contractor's proposed cost of approximately $109 per hour for 412,435 hours over four years with comparable cost and time information from the PUC. Furthermore, in relation to personnel costs, the Budget Analyst notes that the delay in staff hiring, which is one of the problems which the subject contract is designed to address, is significantly affected by internal PUC processes.

However, the subject contract, as amended by PUC staff, does contain eight initial long term and seven initial short term "key performance measures" which are intended to enable the PUC and the Board of Supervisors to determine whether the subject contract had indeed decreased program costs.

With regard to the second part of the question as to whether the subject contract would increase or decrease expenditure oversight, the Budget Analyst considers that the proposed contract would maintain, or even increase, oversight over expenditure, if the PUC meets its obligation, under the terms of the contract, to (a) specify precisely what work it would require the Contractor to perform and at what cost, and then to (b) monitor whether or not the Contractor had met those performance requirements. The Budget Analyst notes, however, that such increased oversight would also be possible if the PUC more tightly specified and measured the performance of its own staff, holding them accountable for the delivery of pre-determined outcomes. Mr. Wong advises that the PUC is enhancing the performance measurement capabilities of its staff to ensure improved expenditure oversight. In particular, the PUC is increasing its training emphasis on timely delivery of projects against scheduled milestones, and is increasing its management control of technical staff, according to Mr. Wong.

With regard to the third part of the question as to whether the subject contract would provide any other benefits or costs when compared to managing the PUC's capital improvement program with existing and/or new City staff, the Budget Analyst reiterates that the PUC has provided insufficient data on which to make such an assessment.

Recommendation: While the subject amended contract's performance measures are intended to provide measurement of the savings expected to result from hiring the Contractor, the PUC has not demonstrated how it would be more cost effective to enter into the subject contract than to have City employees fully responsible for program management. As this substantive question remains unanswered, the Budget Analyst considers approval of the subject program management services contract to be a policy matter for the Board of Supervisors.

Attachment I

SFPUC CIP PROGRAM - (Planned Jobhours and Costs for 4 years)

Hours and Costs Based on Budget and Tasks Specified by SFPUC

	Year 1			Year 2			Year 3			Year 4			Total PMC		
	Hours	Costs	%	Hours	Costs	%	Hours	Costs	%	Hours	Costs	%	Hours	Costs	%
PMO															
Bechtel	19,008	$1,850,000	47%	25,620	$2,450,000	46%	18,624	$2,040,000	41%	19,584	$2,180,000	41%	63136	$6,520,000	43%
JV	11,328	$950,000	25%	13,440	$1,240,000	24%	14,400	$1,431,600	29%	14,400	$1,490,000	28%	53,566	$5,110,000	26%
Subs	9,120	$1,110,000	28%	13,056	$1,616,800	30%	11,520	$1,524,800	30%	12,578	$1,710,000	32%	48,272	$5,960,000	31%
S/T PMO	39,456	$3,610,000	100%	52,416	$5,310,000	100%	44,544	$5,000,000	100%	46,560	$5,380,000	100%	162,976	$19,590,000	100%
PM/CM & TSS															
Bechtel	14,784	$1,350,000	38%	38,288	$3,250,000	47%	25,344	$2,410,000	41%	18,624	$1,860,000	44%	95040	$8,670,000	42%
JV	12,000	$1,020,000	28%	16,584	$1,740,000	25%	18,720	$1,730,000	29%	8,160	$780,000	18%	50,464	$5,270,000	26%
Subs	15,167	$1,220,000	34%	23,328	$1,660,000	28%	20,160	$1,760,000	30%	17,280	$1,570,000	37%	75,655	$6,510,000	32%
S/T PM/SM & TSS	41,671	$3,590,000	100%	79,200	$6,950,000	100%	64,224	$5,900,000	100%	44,064	$4,210,000	100%	229,459	$20,650,000	100%
Total w/o Fee															
Bechtel	33,792	$3,200,000		62,208	$5,700,000		43,688	$4,450,000		38,208	$4,040,000		176176	$17,400,000	
JV (Sverdrup+Jeff)	23,328	$1,970,000		33,024	$2,680,000		33,120	$3,170,000		22,560	$2,270,000		112,032	$10,360,000	
Subs	24,307	$2,330,000		36,384	$3,580,000		31,680	$3,260,000		26,856	$3,280,000		122,227	$12,470,000	
Total w/Fee			Incl Fee			Incl Fee			Incl Fee			Incl Fee			Incl Fee
Bechtel		$3,480,000	43%		$6,330,000	46%		$4,940,000	40%		$4,460,000	42%		$18,250,000	43%
JV (Sverdrup+Jeff)		$2,140,000	26%		$3,310,000	25%		$3,520,000	28%		$2,520,000	25%		$11,460,000	25%
Subs		$2,530,000	31%		$3,670,000	28%		$3,650,000	31%		$3,640,000	34%		$13,760,000	32%
Fees															
Fixed		$600,000			$860,000			$650,000			$480,000			$2,590,000	
Performance		$0			$550,000			$600,000			$620,000			$1,770,000	
Subcontractor Admin		$70,000			$110,000			$100,000			$100,000			$370,000	
Total		$670,000	6%		$1,520,000			$1,350,000			$1,200,000			$4,730,000	
Total Program	81,427	$8,200,000		131,618	$ 14,000,000		108,768	$ 12,000,000		90,624	$11,000,000		412,435	$45,000,000	
		ROUNDED			ROUNDED			ROUNDED			ROUNDED			ROUNDED	

SFPUC CAPITAL IMPROVEMENT PROGRAM MANAGEMENT SERVICES
REQUEST FOR PROPOSALS
EVALUATION SCORE SHEET

*Name of Firm:*______________________________ *Reviewer:*________________ *Date:*__________

NOTE: The descriptions listed under each criteria establish the basis for a score of Good.

CRITERIA	WEIGHT	SCORE

1. PROGRAM MANAGEMENT APPROACH — 25

- ☐ *Outstanding (9)*
- ☐ *Superior (7)*
- ☐ *Good (5)*
- ☐ *Fair (3)*
- ☐ *Poor (1)*

- Thorough, strong & responsive program approach to meet changing SFPUC needs for services & expertise.
- Well developed, thorough, responsive & considered 1st year & 4 year program implementation plans.
- Thorough, strong & specific approach to expedite program & project implementation, achieve significant cost & time savings.
- Strong, clear & precise definition of success for SFPUC program results & client satisfaction.
- Strong, detailed approach & recommendation of program management systems & tools for control & reporting.
- Thorough, strong & specific approach to specialized technical services for peak SFPUC workload.
- Strong, specific approach to specialized construction management services, reviews, partnering, dispute resolution & claims avoidance.
- Thorough, strong & effective approach to the SFPUC Program in Diversity, community outreach & goals for inclusion of minorities & women.
- Strong, innovative & specific approach to full utilization and development of UEB & DPW staff, strong approach to Staff Development Program & technology transfer.

2. CAPABILITY OF PMC MANAGEMENT TEAM MEMBERS — 25

- ☐ *Outstanding (9)*
- ☐ *Superior (7)*
- ☐ *Good (5)*
- ☐ *Fair (3)*
- ☐ *Poor (1)*

- Program Manager has 15 years experience and strong technical background in field of expertise.
- Program Manager has 5 years strong experience as responsible program manager on similar water and/or wastewater programs of $1 billion or more.
- Program Manager & appropriate PMC management team members hold current California PE licenses.
- Strong, demonstrated record of success of Program Manager for PMC prime consultant on other similar, complex & challenging programs as SFPUC.
- Other team members have 8 years strong experience in field of expertise.
- Other team members have 5 years strong experience in similar management positions on significant, complex & important public works programs as SFPUC.
- Strong management experience to high standards, top quality performance, cost savings & full client satisfaction.
- Strong commitment to promoting diversity & record of success managing diverse workforce.
- Proven record of flexible, responsive & creative problem solving on complex, important & challenging programs.
- Significant contribution to overall program success, accomplishment of client objectives on time & within budget.
- Strong experience and skill in streamlined program management & implementation under public government processes and procedures.
- Unique knowledge, experience and qualifications to perform roles and responsibilities in SFPUC program.

SFPUC CAPITAL IMPROVEMENT PROGRAM MANAGEMENT SERVICES
REQUEST FOR PROPOSALS
EVALUATION SCORE SHEET

*Name of Firm:*______________________________ *Reviewer:*__________________ *Date:*________

3. MINIMUM QUALIFICATIONS FOR PMC TEAM

- Annual prime or collective JV corporate revenues of $100 million or more. ☐ *Yes* ☐ *No*
- Sufficient capability of prime and JV partners to secure appropriate insurance coverage. ☐ *Yes* ☐ *No*

NOTE: The descriptions listed under each criteria establish the basis for a score of *<u>Good</u>*.

CRITERIA	WEIGHT	SCORE
4. CAPABILITY OF FIRMS ON PMC TEAM	*25*	______

- 10 years strong prime or collective JV program management experience on similar public works programs of $1 billion or more.
- 15 years significant experience within team on water & wastewater systems, operations & engineering (Prefer: Prime or JV experience).
- 5 years strong management experience of prime or JV partners on significant, complex & important public works programs as SFPUC.
- Substantial corporate strength, reliability, financial, technical & managerial capability of prime or JV partners to assume prime risks & responsibilities.
- Strong expertise, depth of experience, strength & capability in similar management and/or technical services as proposed.
- Strong prime or JV response to program challenges & difficulties, demonstrated ability to adapt, recover & achieve high quality results regardless of issues.
- Strong depth and breadth in current staff levels to meet SFPUC needs for flexible expert services.
- High quality program results, proven success, cost & time savings, and high client satisfaction with services similar to proposed.
- Strong knowledge & understanding of California water issues, regulations & stakeholder concerns.
- Strong record of firm's commitment to include minority- & women-owned businesses on project teams.
- Significant experience with programs similar to SFPUC Program in Diversity.
- Strong experience with client staff development & training, technology & management systems transfer to clients.
- Demonstrated success with design/build projects, construction safety programs, partnering & construction cost control measures.
- References provided as requested.

☐ *Outstanding (9)*
☐ *Superior (7)*
☐ *Good (5)*
☐ *Fair (3)*
☐ *Poor (1)*

SFPUC CAPITAL IMPROVEMENT PROGRAM MANAGEMENT SERVICES
REQUEST FOR PROPOSALS
EVALUATION SCORE SHEET

Name of Firm: ______________________ *Reviewer:* ______________ *Date:* ________

NOTE: The descriptions listed under each criteria establish the basis for a score of Good.

CRITERIA	WEIGHT	SCORE
5. APPROACH TO SFPUC PROGRAM IN DIVERSITY	15	______

- Strong, clear commitment to maximize program opportunities for MBE/WBE firms, especially those new to the SFPUC.
- Significant utilization of MBE/WBE firms in important program management and technical roles.
- Creative approaches to SFPUC Program in Diversity, to promote inclusion of minorities & women in program
- Strong, clear & specific plan to promote MBE/WBE growth & business development, transfer technology & skills.
- Thorough, strong & specific plan for job readiness training, pre-apprenticeship and paraprofessional internship training programs.
- Innovative, aggressive programs & activities to enhance effectiveness of SFPUC Program in Diversity.

- ☐ *Outstanding (9)*
- ☐ *Superior (7)*
- ☐ *Good (5)*
- ☐ *Fair (3)*
- ☐ *Poor (1)*

CRITERIA	WEIGHT	SCORE
6. UNDERSTANDING OF SFPUC PROGRAM	10	______

- Strong & thorough understanding of capital improvement program goals & California water issues.
- Strong, clear understanding of unique program approach, financing & annual implementation plan.
- Strong grasp & understanding of water, power & wastewater operations, facilities and capital projects.
- Strong understanding & response to stakeholder concerns & public accountability.
- Thorough, clear understanding of program financial issues.
- Strong understanding of local labor union issues, community values and employee stake in program.
- Clear understanding of program constraints and contingencies.
- Strong, thorough responsiveness to Request for Proposals.

- ☐ *Outstanding (9)*
- ☐ *Superior (7)*
- ☐ *Good (5)*
- ☐ *Fair (3)*
- ☐ *Poor (1)*

	WEIGHT	SCORE
GRAND TOTAL SCORE	100	______

The SFPUC/HRC Contract Compliance Officer will assess compliance with Nondiscrimination and MBE/WBE Utilization requirements. Failure to comply will result in disqualification from further consideration.

NOTE: Scores are calculated by multiplying the value for the qualitative score by the weight (for example, a qualitative score of Superior for No. 1 Program Management Approach is 7 x 25, or 175).

Appendix II
Key Performance Measures for Capital Improvement Program - CIP

Long term CIP Key Performance Measures – Table 1

	Long Term 4 Year Key Performance Measures	Goals and Objectives
1	Overall program savings	Realize a net savings of at least 10% ($138 million) for the above projects.
2	Project designs completed on schedule	Improve proportion of designs (started in this fiscal year or recently re-forecast) completed on schedule by 25% of baseline value in the first year. Projected targets for successive years are 10%, 10%, and 5%. These will be assessed at the end of each year to set the next year's goal. Currently according to the July 1999-March 2000 report 60% of the Design Projects are behind schedule
3	Construction contracts substantially completed on schedule	Improve proportion of construction contracts (started or re-forecasted) in this fiscal year, achieving substantial completion on schedule by 25% of baseline value in the first year, and 10%, 10%, and 5% in successive years. These future targets will be reassessed each year to determine the new goal. Currently according to the July 1999-March 2000 report, 26% of the Construction Projects are behind schedule.
4	HRC goals for MBE/ WBE participation in construction contracts achieved	Monitor and control the aggregate MBE/WBE participation as a proportion of HRC goals. The goal is to achieve 100% of the HRC goal.
5	Closeout construction contracts within 6 months of substantial completion.	Closeout 80% of the contracts that are more than 6 months beyond their substantial completion dates at the time of the Notice to Proceed (NTP) of CIP. Set the goal for the second year contracts at the end of year one.
6	Accuracy of Engineer's Estimate	Improve proportion of Engineer's Estimates within 10% of median bid for contracts in excess of $3 Million. The improvement target for year one is 25%. This will be reassessed at the end of each succeeding year and a new goal set.
7	CIP expenditure progress	Meet the planned expenditure profile for the identified projects ($1.38Billion)
8	Reduce total "services" costs (PM, Engr, CM, Procurement, etc.) associated with the non –construction aspects of the program	Year 1 – Develop and implement a job hour tracking program by discipline, by job change for the CIP. Year 2 – Reduce service costs by a mutually agreed percent of above baseline.

Appendix H
Key Performance Measures for Capital Improvement Program - CIP

Short Term Key Performance Measures – Table 2:

	Short Term 1st Year Key Performance Measures	Goals and Objectives
1	Complete First Draft of CIP Plan within 3.5 months of receiving Request for Services (RFS). *See Note a).*	The 10-year CIP Plan will show the Cost Schedule Baseline for the Projects in the Program as Prioritized by the SFPUC. The Plan will be updated as required to reflect changing SFPUC requirements and CIP goals. This will allow the SFPUC to more accurately forecast financing requirements and identify MBE / WBE contracting opportunities ahead of time. A consolidated program baseline cost and schedule will allow Engineering and Construction to combine similar contracts and achieve efficiencies in the program schedule and cost. A consistent and reliable CIP baseline cost and schedule database will allow consistent and realistic forecasting and monitoring of the program's progress and performance over the 10-year period.
2	Meet MBE / WBE Targets for the SFWA per Contract (monthly reports and annual goals)	The objective is to meet or exceed the overall MBE / WBE Goals as set forth in the Contract. SFWA will attempt to provide training to all our sub contractors and JV partners as needed so they can increase their participation in this program, enhance their capabilities and grow as companies during this time.
3	Develop a Training Program for SFPUC staff within 9 months.	Training in areas such as Project Controls and Contracts management and additional training in Program Management, Change/Risk Management, Safety and Health, will enhance the capabilities of the SFPUC Management team and allow them to carry on the PM task after the SFWA contract is completed.
4	Complete preliminary SFPUC Staff Assessment within 6 months.	An assessment of the available SFPUC staff may enable the SFPUC to better utilize the existing staff as well as provide training to staff wanting to move into other work within SFPUC. This will also help the SFWA / SFPUC teams identify potential candidates to fill positions in the CIP organization, as they become available. Training will also include on the job training, so in time an SFPUC individual can take over the positions currently occupied by a SFWA person.
5	Provide a Draft Monthly Reporting Format within 2 months	A easy to read and understand management level Monthly Progress Report of the overall program together with highlights, issues, current vs. budgeted progress and performance, as well as measurable and meaningful metrics needs to be developed. This will ensure consistent reporting at a program level for all level of users, and pro-active management decisions to be made in a cost effective and timely manner.
6	Savings through value engineering and optioneering on selected first year projects	Reduce the cost of identified tasks by 10% in year one. Potential tasks include: chloramination ($50M); Digester Upgrade ($200M+); and Moccasin Penstocks ($7M).
7	Develop a criteria and a methodology for measuring performance related to the earning of the Performance Fee within 6 months	A methodology for calculating Performance Fee will be developed for Years 2, 3 & 4.

Note:

a) SFPUC will provide all available information on a comprehensive list of priority projects with scope descriptions.

b) The Parties shall review said performance measures and may supplement and/or revise them as necessary.

Appendix H
Key Performance Measures for Capital Improvement Program - CIP

Assumptions

The following assumptions apply to all Performance Measures:

1. Key Performance Measures relate to the partnership between the SFPUC and the SFWA.
2. SFPUC will cooperate with the SFWA to provide and direct additional staff and resources to be identified in the CIP Plan.
3. Office facilities and equipment for the efficient functioning of the program management tasks will be provided for the SFWA.
4. Program savings would accrue from a number of sources such as better definition of the projects, more rigorous assessment of alternatives to reduce costs, increased efficiencies in the design and construction processes through taking advantage of project similarities, insurance savings through lower accident rates, bulk purchase of equipment where appropriate and a project wide labor agreement.
5. Achieving the desired performance is contingent upon the timely release of task orders.
6. In calculating the performance ratings, the SFPUC will take into consideration the impact on SFWA of parties not under SFWA's control.
7. A mere failure to meet performance goals in and of itself does not constitute a breach of contract or an Event of Default.
8. Baseline values are computed from SFPUC current performance.

SFWA STAFFING - FTE / Year	
SFWA Core Team (per SFWA Proposal)	4
Sandy Lawson (Engineering Manager)	1
Secretary	1
PC Engineer	1
Estimator (Dennise Durkin)	1
PMS / Cost Engineer	2
Cost Schedule Engineer	1
F&A / Cost engineer	1
Area PC Engineer / Trend Engineer	1
PCM Contract / Procurement Manager	1
Outreach / Diversity Person	3
Project Manager	1
Project Engineer	2
S/T Bechtel	20
Sverdrup (Peterson, Construction Management)	1
Sverdrup (Construction Management)	1
S/T Sverdrup	2
Jefferson: Diversity Specialist / Outreach	1
Senior Estimator / Trend Engineer	1
DBA / Systems Engineer	1
Project Controls Engineer	1
Procurement Manager	1
EDMS Engineer	1
Field Cost Engineer	2
Contracts Administrator	1
Technical Specialist	1
S/T Jefferson	10
RMC Randy Raines (Planning and Design)	1
Planning Specialist	1
S/T RMC	2
Olivia Chen: Mechanical Engineer Optioneering	1
Olivia Chen: Civil Engineer Specialist	2
Olivia Chen: Planning Engineer / 4 Year Plan (T. Hodges)	1
S/T OC Consultants	4
Roja: Asset Condition Support	1
Roja Add'l Support (Optioneering / Value Engineering)	0.9
S/T GRA	2
Carollo: Construction Support	1
Carollo: Optioneering / Value Engineering	1
S/T Carollo	2
CPM: Sr Planning and Scheduling Engineer	1
CPM: Planner	1
CPM: Trend Engr / DBA	1
S/T CPM	3
TOTAL SFWA	45

SFPUC

ANNUAL CAPITAL IMPROVEMENT PROGRAM BUDGET

Fiscal Year	SFWD	HHWP	CWP	Total
1990-91	13,028,000	5,906,000	N/A to PUC	18,934,000
1991-92	27,870,000	14,491,900	N/A to PUC	42,361,900
1992-93	23,089,000	16,327,000	N/A to PUC	39,416,000
1993-94	13,114,700	9,030,000	N/A to PUC	22,144,700
1994-95	26,591,000	9,340,800	57,700,000	93,631,800
1995-96	19,117,139	10,732,696	58,938,000	88,787,835
1996-97	29,839,775	12,124,764	23,730,000	65,694,539
1997-98	75,474,606	15,985,000	29,920,000	121,379,606
1998-99	25,000,000	15,822,000	50,700,000	91,522,000
1999-00	145,152,430	18,200,000	26,292,000	189,644,430
2000-01	131,080,700	19,790,000	28,000,000	178,870,700
Subtotal (97/98-99/00)	245,627,036	50,007,000	106,912,000	402,546,036
Total	529,357,350	147,750,160	275,280,000	952,387,510

SFWD = San Francisco Water Department

CWP = Clean Water Program

HHWP = Hetch Hetchy Water & Power

Date: 7/11/00

Attachment VI

SFPUC
ANNUAL CAPITAL IMPROVEMENT PROGRAM EXPENDITURES

Fiscal Year	SFWD	HHWP	CWP	Total
1990-91			N/A to PUC	0
1991-92			N/A to PUC	0
1992-93			N/A to PUC	0
1993-94	26,621,128	4,753,633	N/A to PUC	31,374,761
1994-95	28,093,929	5,708,738	23,660,784	57,463,451
1995-96	24,879,660	7,188,171	127,592,837	159,660,668
1996-97	28,894,728	12,867,986	68,162,170	109,924,884
1997-98	32,931,549	13,546,956	36,896,554	83,375,059
1998-99	41,957,217	9,173,983	40,447,101	91,578,301
1999-00	53,591,315	11,702,026	25,505,403	90,798,744
2000-01				0
Subtotal 97/98-99/00	128,480,081	34,422,965	102,849,058	265,752,104
Total	236,969,526	64,941,493	322,264,849	624,175,868

SFWD = San Francisco Water Department

HHWP = Hetch Hetchy Water & Power

CWP = Clean Water Program

Date: 7/11/00

Attachment VII

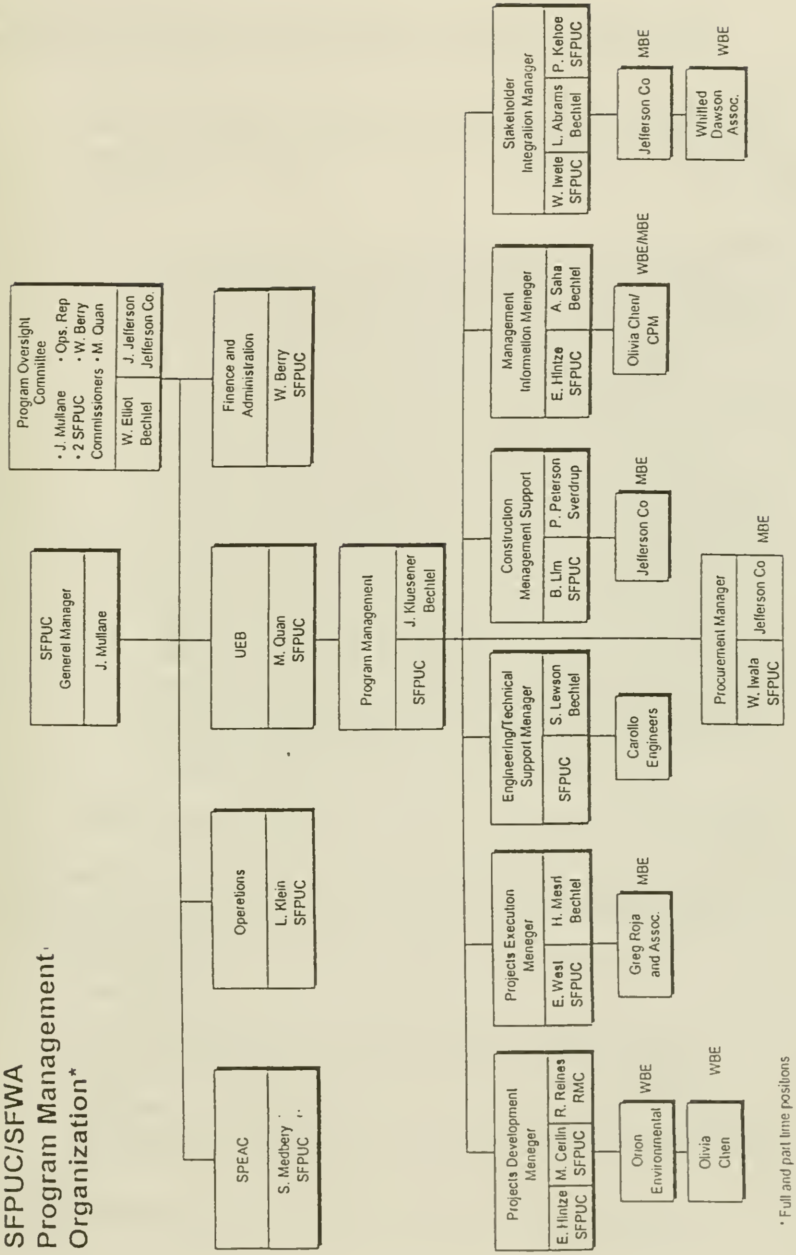
Utilities Engineering Bureau (UEB)
Total Number of Active Engineers by Classification
Effective FY 1995-96 through Present

CLASS	TITLE	FY 1995-96*	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00 Filled	FY 1999-00 To Be Filled
5189	UEB Manager	0	1	1	1	1	0
5162	Water Purification Division Manager	0	0	0	0	0	2
1376	Civil Engineering Associate II	1	1	1	1	1	0
1377	CIP Manager	2	2	2	2	1	0
**5201	Junior Civil Engineer	3	4	5	4	3	1
5204	Assisant Civil Engineer	7	8	9	11	11	1
5206	Associate Engineer	13	13	13	12	21	9
5208	Civil Engineer	8	8	7	7	13	11
5210	Senior Civil Engineer	4	4	4	4	10	2
5212	Principal Engineer	1	1	1	0	2	1
5234	Jr. Electrcial Engineer	1	1	1	1	2	0
5236	Assistent Electrical Engineer	1	1	1	1	3	2
5238	Associate Electrical Engineer	3	3	3	3	5	1
5240	Electrical Engineer	1	1	1	1	3	0
5242	Senior Electrical Engineer	0	0	1	2	2	0
5252	Assistant Mechanical Engineer	3	3	3	5	4	1
5254	Associate Mechanical Engineer	3	3	4	4	7	0
5256	Mechanical Engineer	2	2	2	2	2	4
5258	Senior Mechanical Engineer	1	1	1	3	4	0
5344	Mecanical Engineer Assistant II	0	0	0	0	0	0
5346	Mechenical Engineer Associate I	1	1	1	1	2	0
5352	Electrical Engineering Assistant II	0	0	0	0	1	0
5354	Electrical Engineering Associate I	2	2	2	2	1	0
5362	Civil Engineering Assistant II	2	2	3	4	1	1
5364	Civil Engineering Associete I	1	1	1	3	2	2
5366	Engineering Associate II	1	1	1	1	1	1
5502	Project Manager I	0	0	0	0	6	0
5504	Project Meneger II	3	4	4	4	4	0
5506	Project Manager III	1	1	1	1	4	0
	TOTAL	62 *	69	73	80	117	39

*This number should be 65.

*First year reflecting the Prop M reorganization of the PUC.
**5202 Junior Civil Engineer class was consolidated to 5201 on 6/8/99.
Data Source: Kardex and Vacancy report as of 6/22/00.

6/29/002:47 PM


SFPUC/SFWA
Program Management
Organization*
Program Oversight Committee
• J. Mullane
• 2 SFPUC Commissioners
• Ops. Rep
• W. Berry
• M. Quan
W. Elliot Bechtel
J. Jefferson Jefferson Co.
SFPUC General Manager
J. Mullane
Finance and Administration
W. Berry SFPUC
UEB
M. Quan SFPUC
Operations
L. Klein SFPUC
SPEAC
S. Medbery SFPUC
Program Management
SFPUC
J. Kluesener Bechtel
Stakeholder Integration Manager
W. Iwete SFPUC
L. Abrams Bechtel
P. Kehoe SFPUC
Jefferson Co
MBE
Whitted Dawson Assoc.
WBE
Management Information Manager
E. Hintze SFPUC
A. Saha Bechtel
Olivia Chen/ CPM
WBE/MBE
Construction Management Support
B. Lim SFPUC
P. Peterson Sverdrup
Jefferson Co
MBE
Procurement Manager
W. Iwata SFPUC
Jefferson Co
MBE
Engineering/Technical Support Manager
SFPUC
S. Lawson Bechtel
Carollo Engineers
Projects Execution Manager
E. West SFPUC
H. Mesri Bechtel
Greg Roja and Assoc.
MBE
Projects Development Manager
E. Hintze SFPUC
M. Cerlin SFPUC
R. Reines RMC
Orion Environmental
WBE
Olivia Chen
WBE
* Full and part time positions

QUESTIONS FROM THE 7/19/00 FINANCE AND LABOR COMMITTEE MEETING ON PROGRAM MANAGEMENT AND SFPUC RESPONSES

1. SFPUC to provide a) specific performance measures, objectives, work plan and budget for the first 12 months of proposed contract, and b) advice on how longer term performance measures and objectives will be determined.

   a) Performance measures and first year milestones are identified in Attachment 1*(Key Performance Measures for CIP) and include Project Design Completion, Construction Completion, Attainment of HRC Goals, Close-out of Construction Projects within Six Months, Accuracy of Engineer's Estimate, CIP Expenditure Progress. Short-term milestones include Completion of First Draft of CIP within 3.5 months; Completing Assessments and Providing Recommendations of UEB Organization, Project Controls, Project Plan Procedures; Complete Training Curriculum for Project Managers, Project Engineers, Contract Administration, Small Businesses, Safety.

   b) Some long term performance measures and objectives are spelled out in the Key Performance Measures, while other targets will be added in future years as the nature of the work changes. Each performance measure will be assessed each year to set succeeding year's goals. Measurements are compared to the current UEB baseline performance, with many Year One goals targeted at 25% improvement over baseline, followed by tentative goals of an additional 10% for Year 2, another 10% for Year 3, and another 5% for Year 4.

2. SFPUC to provide options for yearly Board of Supervisors oversight:

The Board can participate in any or all of the following progress reporting tool that the SFPUC will use to obtain oversight and control of the program management effort

- Monthly written reports will be provided by the SFWA to the Commission.
- Quarterly presentations will be made to the Commission
- Semi-annual performance audits of SFWA by SFPUC and the Controller's Office will be conducted to assess progress on the performance measures.
- The Controller's Office will review the independent financial audits of the prime and each sub-consultant annually.

All of these reports can be shared with the BOS and Budget Analyst.

*Refer to Attachment III of this report.

Program Management funding will be a line item in the annual Capital Improvement Plan submitted to the Commission and the BOS, which will require approval. Additionally, the BOS will be presented an annual report on the Consultant's performance. Based on the annual performance reports, the BOS shall have the right to disapprove the annual continuation of the contract.

3. What are the estimated cost savings during the 10-15 year program?

The SFWA / SFPUC have set a goal of saving 10% of the cost of the Capital Improvement Program (CIP) identified in the Program Management Consultants Request for Proposal (RFP) dated July 1999. That amounts to about $138 million (10% of $1.38 billion) in savings during the first 4 years of the program. The $1.38 billion estimate in the RFP is a planning estimate developed by the staff of the SFPUC and is based on 1998 dollars

Currently there are only $500 million in funds available for the program. If no future funds are approved, the contract with the SFWA will be terminated. However, the 10% savings on the total cost of the CIP, remains as a goal, although the total value of the savings will be adjusted to reflect the overall value of the CIP that is influenced by the SFPUC.

Training of the SFPUC staff by the SFWA will ensure that the program savings continue even after the SFWA contract is completed.

4. Why would SFPUC contract out identification of new financing sources if this duplicates work done by existing SFPUC staff?

Although the Program Management RFP requested proposers to offer this capacity, there is currently no task for identifying financing sources in the proposed contract. The SFPUC's Assistant General Manager for Finance & Administration has almost 20 years of financing experience, and the organization has issued an RFP for financial advisory services. In addition, the Finance Bureau staff is being reorganized, with additional capacity being added in the areas of financial planning and debt administration. Identification of alternative funding sources requires discussions with many parties, including the Program Management Consultant, but the work will be done by staff.

5. Why is the SFPUC planning to contract out development of a public information program that would duplicate the work of the SFPUC's Public Information Office?

Existing SFPUC staff will provide the bulk of the Public Information Program effort. The SFWA will support a significant capital improvement program that will involve extensive work in more than four Bay Area counties – San

Francisco, Alameda, San Mateo and Santa Clara, and beyond. SFPUC facilities stretch from Yosemite National Park to the Bay Area, and into San Francisco. This huge endeavor calls upon expansion in every area of the SFPUC, including public affairs activities. Planning and construction will occur in the various counties, traversing over 150 miles. Public meetings, community outreach, public notification, informational materials and media relations will increase dramatically as projects move toward design and construction. When special skills or staff augmentation is indicated, support services will be provided to the current SFPUC communications staff on an as-needed basis.

6. How were MBE/WBE goals determined? Are they based on state or local requirements?

The goals were established in conformance with CCSF regulations, practices and procedures. The SFPUC unilaterally imposed additional 2% MBE and 1% WBE goals for each of Years 2, 3 and 4.

7. Can the City terminate the contract at any time?

According to the contract, the City has the option, in its sole discretion, to terminate the agreement at any time during the term, for convenience and without cause. The City shall exercise this option by giving SFWA written notice of termination. The notice shall specify the date on which termination shall become effective, and invoices should be received for fees earned within 30 days from specified termination date.

8. Does the Contractor carry all the liability for its subcontractors?

Under the contract with the SFPUC, the SFWA, Joint Venture, has full liability.

9. SFPUC to break down the upper maximum Contractor remuneration of $45 million by the five remuneration categories.

SFWA has provided a nominal breakdown based on information provide in the RFP – see Attachment 2.* The breakdown may change depending on funding availability, and CIP projects.

10. Would Contractor invoices be directly submitted to the City, or would they first be vetted by the SFPUC?

Invoices would be submitted through the normal procedure of approval through the Project Manager, and then processed through Contracts Administration for payment.

*Refer to Attachment I of this report.

11. How was the 3 percent subcontractor administrative fee level set? What is the industry standard?

This figure was arrived at through negotiation and is lower than the usual 5% applied on other City contracts and within the industry.

12. What are the criteria used to determine acceptance of "other direct charges"?

Other direct charges can only be applied if they are in conformance with the Federal Acquisition Regulations (FAR), which is the same standard applied to City employee expenses. All charges must be directly related to a project, must be pre-approved, and will be consistent with City policies. SFWA will be reimbursed at cost for ODCs; no mark-ups are allowed.

13. What are the respective roles and responsibilities of each SFWA company?

Attachment 3* is an organization chart that shows how the SFWA is integrated into the SFPUC's Program Management effort. As previously discussed, the SFWA team will primarily provide special skills and tools related to managing a capital program of this size. In addition, they will provide as-needed staffing to meet peak demands for such things as construction management. The bulk of the program management activities will be provided by the SFPUC/City staff buttressed by the SFWA's management tools and expertise. Attachment 4* is a staffing plan for the SFWA based upon the baseline information in the RFP.

*Refer to Attachment VIII of this report.

*Refer to Attachment IV of this report.

Item 4 - File 00-0934

Department: Public Utilities Commission (PUC)

Item: Hearing to consider release of reserved funds in the amount of $505,368 to fund removal of contaminated materials from PUC/Water Department bayside property, formerly leased to the Peninsula Sportsman's Club.

Amount: $505,368

Source of Funds: Water Department Enterprise Fund

Description: In March of 2000 the Board of Supervisors appropriated $600,000 in Water Department Enterprise Fund monies for initial cleanup costs of 25 acres of contaminated PUC-owned land located on the Peninsula, west of the Dumbarton Bridge next to the City of East Palo Alto (File No. 00-0272). Of the $600,000, $505,368 was placed on reserve, pending selection of a contractor and submission of budget details.

The subject land became contaminated with lead and other toxins between 1939 and 1994 when Peninsula Sportsman's Club, which operated a trap and skeet range on the subject property, leased the property from the PUC. In 1994 the San Francisco Bay Regional Water Control Board issued a cleanup and abatement order to the Peninsula Sportsman's Club, and as the property owner, PUC was named the secondary responsible party. In 1996 the PUC evicted the Peninsula Sportsman's Club from the subject property and shortly afterward, the Peninsula Sportsman's Club declared bankruptcy, leaving no recoverable assets. PUC became solely responsible for the cleanup of the property. Due to administrative delays, the Regional Water Control Board pursued the cleanup and abatement order from the time the Peninsula Sportsman's Club was evicted in 1996 until July of 1999. In July of 1999 the Regional Water Control Board issued a letter to the PUC, requiring the PUC to begin the cleanup.

The PUC has begun the process of complying with the Regional Water Control Board's enforcement action. PUC

estimates that total cleanup costs and wetlands restoration will be up to $10,000,000 over a three-year period. Initial cleanup costs are estimated to be $3,100,000, of which $600,000 was appropriated by the Board of Supervisors in March of 2000 and $2,500,000 was included in the FY 2000-2001 PUC budget.

The first clean-up project includes the removal of 5,000 cubic yards of clay pigeon debris from the subject property. This project was identified as a priority because the debris is contaminated with lead and other toxins. PUC is requesting release of reserved funds in the amount of $505,368 to fund removal and disposal of 5,000 cubic yards of contaminated materials from the subject site.

Budget:

The summary budget for the proposed work, totaling $669,097, which includes $505,368 of reserved funds plus $163,729 of funds available in the FY 2000-2001 PUC Capital Improvement Project budget is as follows:

Mobilization and demolition of site[1]	$121,891
Removal/screening of contaminated soil	81,000
On-site waste stabilization	95,400
Contaminated material transportation	215,780
Contaminated material disposal	136,592
Decontamination water disposal	6,000
Site restoration	12,434
Total	**$669,097**

Attachment I, provided by PUC, contains details to support the summary budget.

Comments:

As noted in the attached memorandum provided by PUC (Attachment II), PUC selected Mendelian Construction, Inc. through a modified bid process to perform the removal and disposal work. In Attachment II, Mr. John Mundy of the PUC explains the selection process and the selection of Mendelian Construction based on (a) their approach for performing the removal and disposal of contaminated materials, (b) their status as a local and

[1] Mobilization includes securing equipment and preparing the site for excavation and disposal. Additionally, "mobilization and demolition' will include removal of obstructing trees and construction of a temporary road.

minority owned business, and (c) their ability to perform the work in the time frame required by PUC.

Recommendation: Approve the requested release of $505,368 in reserved funds.

Contractors must submit three (3) copies of their complete proposal, including the Bid Schedule and Proposed MBE and WBE Goals. Proposals shall be hand delivered in a sealed envelope to:

DPW - BCM/SAR
ATTEN: Tom Anderson
1680 Mission Street, 1st Floor
San Francisco, CA 94103

This Bid shall be submitted on Tuesday, August 18, 2000 by and not later than 12:00 PM

Bid Item	Bid Item Description	Estimated Quantity	Unit	Unit Price	Extension
1	Mobilization and Demolitiom	All	LS	-	$121,891
2	Removal and Screening	6,000	Ton	$13.50	$81,000
3	On-Site Waste Stabilization	3,000	Ton	$31.80	$95,400
4	Contaminated Material Transportation				
	a. Hazardous Waste Landfill	3,200	Ton	$44.80	$143,360
	b. Non-Hazardous Waste Landfill	3,000	Ton	$24.14	$72,420
5	Contaminated Material Disposal				
	a. Hazardous Waste Landfill	3,200	Ton	$34.51	$110,432
	b. Non-Hazardous Waste Landfill	3,000	Ton	$8.72	$26,160
6	Decontamination Water Disposal	5,000	GAL	$1.20	$6,000
7	Site Restoration	ALL	LS		$12,434
	Total				$669,097

NOTES:

1 The quality of clay pigeon waste is estimated at 4,000 cubic yards. For the purpose of this Bid, unit the volume was converted to unit weight using the assumed conversion value of 1.5 tons per cubic yard.

2 Transportation and Disposal Unit weights for hazardous waste (fine fraction) was adjusted to account for stabilization additives.

PUBLIC UTILITIES COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

WILLIE L. BROWN, JR.
MAYOR

JOHN P. MULLANE, JR.
GENERAL MANAGER

HETCH HETCHY
WATER AND POWER

SAN FRANCISCO
WATER DEPARTMENT

SAN FRANCISCO
CLEAN WATER PROGRAM

August 16, 2000

TO: Severin Campbell, Budget Analyst's Office

CC: Steve Medbery, PUC-SPEAC
Bob Hickman, PUC-SPEAC

FROM: John Mundy, PUC-SPEAC JM

SUBJECT: **Release of Reserves, Peninsula Sportsman's Club Clay Pigeon Removal**

This memo provides follow up to our recent discussions regarding contractor selection for the removal action planned next month at the Peninsula Sportsman's Club site. I have forwarded to your office the results of an informal bidding process administered through existing San Francisco Department of Public Works disposal contracts. As we have discussed, the scope of the clay pigeon removal project has expanded, as recent subsurface investigations at the site reveal the debris to extend significantly deeper than was first estimated. Current estimates indicate the total volume of removal to be 5,000 cubic yards. Our previous estimates were in the range of 2,000 cubic yards.

Bids were received from two contractors, Mendelian Construction, Inc. and CES. The bids were evaluated against 5 weighted criteria, as follows:

Experience (30%): Because of the unique technical issues associated with stabilization and disposal of materials at the site, it is important that the contractor have demonstrated experience specific to the work requested. Of the two bids, Mendelian had more experience, and has teamed with a consulting engineer (Kleinfelder) with experience specific to the stabilization of lead contaminated soils. CES has had no experience with the stabilization of lead contaminated soils.

Project Approach (30%): Mendelian submitted a very detailed proposal, which directly addressed Project Goals outlined in the bid package prepared by SFPUC and SFDPW staff. Mendelian's proposal included process diagrams for the handling and disposal of materials at the site, and clearly identified key staff and their responsibilities. In contrast, the CES bid contained very little detail. Thus, it was very difficult to evaluate CES's project approach.

Cost (20%): CES submitted a bid of $640,115.00 for the removal action. Mendelian submitted a bid for $669,097 for the same work.

Schedule (10%): Mendelian has presented clear timelines for deliverables associated with the project, and is available to perform the work immediately. The CES proposal was not as clear about scheduling of work. Scheduling is a significant factor in this project, as the action must be completed before the coming wet season.

Project Team (10%): Both Mendelian and CES have teamed with competent engineering consultants. We believe both contractors would have adequate technical support, though Mendelian's proposal does a better job documenting this fact. Both proposals meet or exceed MBE/WBE goals set forth in the SFDPW disposal contract.

SYSTEM PLANNING, ENVIRONMENT AND COMPLIANCE
3801 THIRD STREET, SUITE #600, SAN FRANCISCO, CA 94124 (415) 695-7310 / FAX 695-7377

Both SFPUC and SFDPW staff recommend that the work be awarded to Mendelian. Our reasoning is as follows:

- Though Mendelian's bid came in $29,000 higher than CES, we believe they have presented a more thorough and detailed approach, and are thus less likely to encounter circumstances requiring contract modification.
- There is some uncertainty as to whether CES would be able to complete the required work before the coming wet season. State regulators are now requiring that work be completed this fall.
- Mendelian is a locally owned minority business. By awarding the work to Mendelian, we are promoting City goals in the area of fair hiring practices.

SFPUC requests that the Board of Supervisors release funds currently held in reserve totaling $505,368. We will cover the shortfall of $163,729 through a CIP currently in place for cleanup of the remainder of the site. Should you have any questions regarding the information presented above, please feel free to call me at 415.695.7387.

scampb~1.doc
JM 8/17/00

Items 5 and 6 - Files 00-0741 and 00-0742

Department: Ethics Commission

Items: File 00-0741: Ordinance amending Article II of the San Francisco Campaign and Governmental Conduct Code by adding Section 2.160 to authorize the Ethics Commission to require electronic filing of lobbyist statements and reports.

File 00-0742: Ordinance amending Article I of the San Francisco Campaign and Governmental Conduct Code by adding Section 1.540 to authorize the Ethics Commission to require electronic filing of campaign consultant statements and reports.

Description: In accordance with Charter Sections C3.699-11 (2) and (6), and with the Campaign and Governmental Conduct Code, Section 1.500 *et seq.*, the Ethics Commission is responsible for receiving documents required to be filed pursuant to the City's lobbyist and campaign consultant ordinances, and for making recommendations to the Mayor and the Board of Supervisors regarding ordinances related to campaign finance, conflict of interest, lobbying and governmental ethics. The proposed ordinances would authorize the Ethics Commission to require that lobbyists and campaign consultants file an electronic copy of statements or reports, whenever original reports or statements are required to be filed. Currently, the Ethics Commission only requires campaign finance reports to be filed electronically.

Lobbyists and campaign consultants are presently required by the City's lobbyist and campaign consultant ordinances to provide the Ethics Commission with quarterly activity reports. Lobbyists must disclose payments made, or payments received from or promised by clients, to influence local legislative or administrative action. Campaign consultants must disclose payments they receive or are promised to provide for campaign management or strategy services to local candidates and ballot measures. The Ethics Commission staff then enter the

typed or handwritten reports into a data-base system and prepare quarterly summaries of the activity reports submitted by lobbyists and campaign consultants. According to Ms. Ginny Vida of the Ethics Commission, each quarter, Ethics Commission staff spends approximately three weeks preparing the lobbyist summary reports and one week to ten days preparing the campaign consultant summary report, or a total of approximately four months annually. These summary reports are available to the general public at the Ethics Commission's office and on its website.

The proposed ordinances would authorize the Ethics Commission to require lobbyists and campaign consultants to prepare the quarterly activity reports electronically and to convey them to the Ethics Commission. The Ethics Commission's Electronic Filing system would be capable of compiling the information submitted by filers and preparing the Ethics Commission's quarterly summary reports, thus saving the Ethics Commission approximately four months of staff time annually and speeding the delivery of the reports to the public.

Comments:

1. Ms. Vida advises that the City's laws regulating lobbyists and campaign consultants have been moved from the City's Administrative Code to a new Campaign and Governmental Conduct Code. Therefore, the proposed ordinances amend the new Campaign and Governmental Conduct Code Sections.

2. The Ethics Commission budgeted $50,000 for the development and implementation of the Electronic Filing system for lobbyists and campaign consultants in FY 1999-2000. Ms. Vida advises that none of these funds were spent in FY 1999-2000 and these funds have now been carried forward to FY 2000-01. The Department of Telecommunications and Information Services (DTIS) will begin development of the Electronic Filing system in January 2001. According to Ms. Maria Gartner of DTIS, the system should be implemented, tested and ready for use by June 30, 2001. In addition to the $50,000 for development and implementation of the Electronic Filing system, the

Ethics Commission currently has a $25,000 account with DTIS for routine systems maintenance. Ms. Gartner advises that because DTIS has increased their rates for technical support, the current annual amount of $25,000 may not be sufficient for the Ethics Commission's future systems needs and she estimates that the Ethics Commission will require an additional $10,000 for maintenance of the new Electronic Filing system as well as other system enhancements beginning in FY 2001-02.

3. As noted above, if lobbyists and campaign consultants are required to file their quarterly reports electronically, approximately four months of the Ethics Commission staff time will be saved. Ms. Vida reports that although there would not be a direct cost savings for the Ethics Commission, the Deputy Director would then be able to spend the additional free time to develop and revise ethics policies, such as new codes of conduct for City departments. In addition, Ms. Vida reports that the Ethics Commission Investigator/Legal Analyst would have additional time to pursue investigations and make presentations to the public on ethics laws and regulations.

4. If the proposed legislation is approved authorizing the Ethics Commission to require Electronic Filing of lobbyist and campaign consultant reports, Ms. Vida states that those lobbyists and campaign consultants who do not have access to a computer could use available computers with Internet capabilities at the Public Library or at the Office of the Ethics Commission. Ms. Vida reports that the Ethics Commission will have two computers available for the public's use by the beginning of 2001. The Ethics Commission will also offer training sessions to lobbyists and campaign consultants to familiarize them with the proposed new Electronic Filing system.

Recommendation: Approval of the proposed ordinances is a policy matter for the Board of Supervisors.

Item 7 - File 00-1417

Department: Port

Item: Ordinance approving the Fourth Amendment to the Lease Agreement with Kira Mikagon and the City and County of San Francisco operating by and through the San Francisco Port Commission for Pier 33 South, at Bay Street and the Embarcadero.

Location: Pier 33 South, at Bay Street and the Embarcadero

Purpose of Lease: Modification of an existing Lease agreement

Lessor: Port

Lessee: Kira Mikagon, an individual

No. of Sq. Ft. and Cost Per Month: 12,900 square feet of restaurant, bar, and office space

Base Rent: Minimum base rent is equal to $4,633 monthly or $55,596 annually. The proposed Lease amendment adds that, effective June 13, 2000 and on each anniversary date during the remaining term of the Lease, the minimum monthly base rent shall be increased by the greater of (a) the Consumer Price Index (CPI) or (b) an amount equal to one-twelfth of the annual percentage rent for the preceding Lease year (see below).

Percentage Rent: In addition to the minimum base rent noted above, the tenant shall pay to the Port percentage rent in an amount equal to 30 percent of gross receipts[1] in excess of $27,500 per month or $330,000 per year. As noted above, the base monthly rent would increase each year by an amount equal to the CPI or by an amount equal to one-twelfth of the annual percentage rent, whichever is greater. The proposed Lease amendment further adds that, if the base rent is adjusted upward by an amount equal to one-

[1] Gross receipts include all amounts received and receivable from all sales and business transacted or services performed on the premises.

twelfth of the annual percentage rent. then the percentage rent threshold of $27,500 will be adjusted upward. For example, if the annual percentage rent (which is equal to 30 percent of gross receipts in excess of $27,500 monthly or $330,000 annually) is $10,800, then the percentage threshold of $27,500 monthly would be adjusted upward by the formula: $10,800 divided by 0.3 divided by 12 equals $3,000. Therefore, the new percentage threshold would increase to $30,500 ($27,500 plus $3,000).

Utilities and Janitor Provided by Lessor: Paid by tenant

Term of Lease: 30-year Lease, commencing June 13, 1984 and terminating June 12, 2014

Description: The subject Lease was originally approved by the Board of Supervisors in 1980 for a 30 year period, commencing September 1, 1981 through August 31, 2011. The original Lease agreement between the Port and Embarcadero Enterprises, Inc., a private corporation, was a ground lease for 3,743 square feet of space to be used as a restaurant and bar at Pier 33 South. In 1983 the Board of Supervisors approved assignment of the existing Lease between the Port and Embarcadero Enterprises to Pier 33, Inc. (Assignment and First Amendment of Lease). The First Amendment increased the first restaurant and bar space by 797 square feet, from 3,743 to 4,540 square feet, and added an additional 3,700 square feet of second floor office space, for a total of 8,240 square feet of leased space. In 1984 the Board of Supervisors approved a second amendment of the Lease (Second Amendment of Lease), which increased the amount of Leased space by 4,660 square feet, from 8,240 square feet to 12,900 square feet, to include additional office space in addition to the existing office, restaurant and bar space, and amended the Lease to provide for a 30 year Lease period, from June 13, 1984 through June 12, 2014. In 1995 the Board of Supervisors approved a third Lease amendment (Third Amendment of Lease) which authorized the existing Leaseholder, Pier 33, Inc. to obtain a loan to be secured by a mortgage on

the leasehold interest. Under the Third Amendment, the Port has the authority to terminate the Lease, with 12-month notice, if the Port should need the subject property for a Port program or project. In order to exercise the termination right, the Port would be required to pay a "termination fee" to the institution which provided the loan secured by the leasehold interest equal to the then outstanding principal balance of the loan. The Third Amendment capped the Port's obligation to pay the termination fee at $546,000. However, the Third Amendment did not specify if the loan secured by the leasehold interest would be a fully-amortized loan[2] or an interest-only loan. If the loan were an interest-only loan, the Port's obligation to pay the outstanding principal balance would be greater than if the loan were a fully-amortized loan. Although the loan anticipated by the Third Amendment was never funded, the Third Amendment is still in effect.

This proposed ordinance would approve the Fourth Amendment of the Lease. The Fourth Amendment would re-assign the subject Lease from the present leaseholder, Pier 33, Inc., to a new leaseholder, Kira Mikagon, an individual. Additionally, the Fourth Amendment would amend the language allowing the leaseholder to secure a loan on the subject leasehold interest to apply only to loans obtained after May 15 and prior to October 1, 2000. Under the proposed Fourth Amendment, the Port would have the right to terminate the Lease with 12-month notice if the subject property is needed for other Port projects. The Port would pay a termination fee of no more than $546,000, which is the identical amount of the termination fee previously approved by the Board of Supervisors in a prior Lease amendment. The Fourth Amendment differs from the Third Amendment by limiting the amount of the termination fee to an amount equal to the principal outstanding balance of a fully-amortized loan and not an interest only loan. Therefore, the Port's costs would be less because the outstanding principal

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[2] Payments on a fully-amortized loan include both principal and interest, thereby reducing the outstanding principal balance, and payments on an interest-only loan include only interest, thereby not reducing the outstanding principal balance.

balance of a fully-amortized loan, which pays down both the interest and the principal amount of the loan, would be less than the outstanding principal balance of an interest-only loan, which pays the interest but does not reduce the principal balance.

Comments:

1. Mr. Nicolas Dempsey of the Port states that the proposed Fourth Amendment would assign the Lease to Kira Mikagon as Master Tenant. Ms. Mikagon would sublease the subject property to the existing restaurant (White Hall Tavern) and 4 office subtenants (Black Rocket Advertising, which occupies the majority of the space, two law firms, and one independent bank broker). According to Mr. Dempsey, Ms. Mikagon has purchased the leasehold interest for a purchase price of $750,000 and has financed $586,000 or 78 percent of the purchase amount. As noted above, the Port would pay a termination fee of no more than $546,000 of a fully-amortized loan if the Port were to terminate the Lease for a Port project. According to Mr. Dempsey, the Port does not currently have a planned Port project for the subject site but retains its right to take over the subject site for a Port project under the Fourth Amendment.

2. The Fourth Amendment differs from the Third Amendment in that it increases the minimum rent payable to the Port in each year by an amount which is proportional to the total percentage rent, as noted above. Mr. Dempsey states that this benefits the Port because it protects the Port from any cash flow loss resulting from an economic downturn. Mr. Dempsey advises that, to date only the required minimum base rent has been paid to the Port and that no percentage rent has been paid to the Port by the prior tenant, Pier 33, Inc. because the gross receipts from the restaurant, bar, and office space have been less than $27,500 per month. Mr. Dempsey advises that many of the office space subleases will expire in FY 2000-2001 and that office space rent will increase from the current average rent of $1.00 per square foot to the market rate rent of $3.50 to $4.00 per square foot. Therefore, Mr. Dempsey says that the Port anticipates increased

percentage rent revenue in FY 2000-2001. Mr. Dempsey does not have an estimate of the increased rent at this time.

Additionally, the percentage rent threshold would increase each year by an amount proportional to the total percentage rent that has been paid, as noted previously. Therefore, an increase in the minimum base rent based upon the percentage rent that has been paid would be offset to some extent by an increase in the percentage rent threshold. Rental revenues to the Port would be less than if the percentage rent threshold were not increased.

3. Additionally, the Fourth Amendment adds a "Damage and Destruction" clause that states that the Port shall repair the premises or the facility if they are damaged by fire or other casualty, provided that funds for such repairs have been appropriated by the Port and the Board of Supervisors. The subject Lease would remain in full force during the period of repair, except that the tenant would be entitled to a proportionate reduction in the base rent, based on the extent of the damage. Under the terms of the subject Lease, the Port's repair costs would be limited because the tenant is required to maintain fire insurance which covers all tenant improvements at the subject site and provides at least 90 percent replacement value for any damage incurred. The Lease also requires that the tenant place all funds received from an insurance policy for any damage incurred in a trust account held jointly by the Port and tenant, and that all funds would be used solely for repair and replacement of the tenant improvements to the premises. Mr. Dempsey states that the proposed "damage and destruction" clause requires the Port to repair damage resulting from damage or casualty only to the Port structure not covered by the tenant's insurance and not to tenant improvements. Additionally, Mr. Dempsey states that the Port is required to repair damage only if funds have been appropriated for that purpose by the Board of Supervisors.

4. Finally, the proposed Fourth Amendment incorporates the new City requirements implemented since the prior Lease amendment, including non-discrimination and equal benefits, tropical hardwood ban, pesticides prohibition, Burma/Myanmar business prohibition, and first source hiring clauses.

5. In summary, the proposed Fourth Amendment to the Lease would:

(a) reassign the leasehold interest from Pier 33, Inc. to Kira Mikagon;
(b) change the base monthly rent escalation each year to the greater of the CPI or one-twelfth of the annual percentage rent;
(c) change the percentage rent threshold to an amount equal to the annual percentage rent divided by 0.3 divided by 12, if the base monthly rent has been adjusted by one-twelfth of the annual percentage rent;
(d) limit the Port's obligation to pay a termination fee for terminating the lease to an amount equal to the outstanding principal loan balance of a fully-amortized loan;
(e) include a new "damage and destruction" clause, stating that the Port is required to repair damage caused by fire or casualty to the subject property only if funds for such repair have been appropriated by the Board of Supervisors; and
(f) incorporate the new City requirements for non-discrimination and equal benefits, tropical hardwood ban, pesticides prohibition, Burma/Myanmar business prohibition, and first source hiring clauses.

Recommendation: Approve the proposed ordinance.

Items 8, 9 and 10- Files 00-1482, 00-1483 and 00-1484

The proposed ordinances would establish the Fiscal Year 2000-2001 Property Tax rates for the City and County of San Francisco including the Bay Area Air Quality Management District and the Bay Area Rapid Transit District (BARTD - File 00-1482), for the San Francisco Unified School District (File 00-1483) and for the San Francisco Community College District (File 00-1484). The Property Tax rate proposed for the City and County of San Francisco is $1.00 per $100 of assessed valuation which is the maximum allowable rate. The total Property Tax rate of $1.136 per $100 of assessed value for Fiscal Year 2000-2001 for all of the jurisdictions named above, as calculated by the Controller, includes bond interest and redemption charges. The proposed Fiscal Year 2000-2001 Property Tax rate of $1.136 is an increase of $0.007 from the Fiscal Year 1999-2000 Tax rate of $1.129.

The Fiscal Year 1999-2000 approved Property Tax rates and the Fiscal Year 2000-2001 proposed Property Tax rates are as follows:

	Approved Fiscal Year 1999-2000 Rates	Proposed Fiscal Year 2000-2001 Rates	Increase (Decrease)
City and County of San Francisco:			
General Fund	0.57739620	0.57739620	-
Children's Fund	0.02500000	0.02500000	-
Open Space Acquisition Fund	0.02500000	0.02500000	-
County Superint. of Schools	0.00097335	0.00097335	-
Library Preservation Fund	0.02500000	0.02500000	-
S.F. Unified School District	0.28485725	0.28485725	-
S.F. Community College District	0.05336253	0.05336253	-
Bay Area Air Quality Management District	0.00208539	0.00208539	-
Bay Area Rapid Transit District	0.00632528	0.00632528	-
Subtotal, General Fund Tax Rate	$1.00	$1.00	$0.00

Property Tax Rates (Continued)

	Approved Fiscal Year 1999-2000 Rates	Proposed Fiscal Year 2000-2001 Rates	Increase (Decrease)
Rates for Bonded Indebtedness			
City and County of San Francisco	$ 0.12766122	$ 0.1348136	$ 0.0072
S. F. Unified School District	0.00133878	0.0011864	(0.0002)
Subtotal, Bonded Indebtedness	$ 0.129	$ 0.136	$ 0.0070
Total Combined Tax Rate	$ 1.129	$ 1.136	$0.007

As compared with the current Fiscal Year 1999-2000 Property Tax rate of $1.129, the Fiscal Year 2000-2001 proposed $1.136 Property Tax rate will have the following effect on a tax bill for a single family residence assessed at $400,000:

	Fiscal Year 1999-2000	
Assessed Value	$400,000	
Less Homeowners Exemption	7,000	
Total	$393,000	divided by $100 x $1.129 = $4,436.97

	Fiscal Year 2000-2001	
Assessed Value (1999-2000)	$400,000	
Add 2% Cost of Living Increase	8,000	
Subtotal	$408,000	
Less Homeowners Exemption	7,000	
Total	$401,000	divided by $100 x $1.136 = $4,555.36
Net increase in Property Tax Bill for Fiscal Year 2000-2001		$ 118.39

As shown above, homeowners of a single family residence, assessed at $400,000, would experience a cost of living increase of 2 percent, as allowed under Proposition 13 for Fiscal Year 2000-2001. In the example reflected above, the cost of living increase, combined with the increased rate for bonded indebtedness, results in a Property Tax increase of $118.39 Fiscal Year 2000-2001 as compared to Fiscal Year 1999-2000.

Section 37.3 (6) of the Administrative Code (the Residential Rent Stabilization and Arbitration Ordinance) allows landlords to pass through to tenants that portion of property taxes attributable to the City's General Obligation bonds approved by voters between November 1, 1996 and November 30, 1998. For Fiscal Year 2000-2001, the passthrough rate as determined by the Controller is $0.023 per $100 of assessed value, or 2.3 cents per $100 of assessed value. This passthrough rate of $0.023 is $0.007 more than the $0.016 passthrough rate in FY 1999-2000. Landlords must comply with the Rent Board's procedures to be eligible for passthrough provisions.

Recommendation

Approve the proposed ordinances.

Item 11 - File 00-1485

The proposed ordinance would amend the previously approved Fiscal Year 2000-2001 Annual Appropriation Ordinance (AAO) as a prerequisite to the levy of the Property Tax rate. The proposed ordinance would amend the Fiscal Year 2000-2001 AAO to increase previously appropriated funds in the amount of $36,782 to the Art Commission for the Municipal Symphony Orchestra (one-eighth of one cent per $100 of assessed valuation) as required by Charter Section 16.106(1).

Comment

The Fiscal Year 2000-2001 budget presently includes $889,144 for the Art Commission expenditures for the Municipal Symphony Orchestra. The proposed ordinance would increase this appropriation by $36,782 to $925,926 for Fiscal Year 2000-2001.

Recommendation

Approve the proposed ordinance.

Item 12 - File 00-1452

Department: Controller

Item: Resolution establishing the City and County's appropriations limit for FY 2000-2001 pursuant to Article XIII B of the California Constitution.

Description: The proposed resolution would establish $1,569,917,337 as the FY 2000-2001 adjusted appropriation limit or Gann spending limit for the City and County of San Francisco as required by Article XIII B of the California Constitution.

On November 6, 1979, California voters approved Proposition 4, known as the Gann Initiative, which added Article XIII B to the California Constitution. Article XIII B limits the growth of appropriations from the proceeds of taxes of the State of California and local governments to the percentage of change in population and the lesser of the percentage change in the cost of living or in per capita personal income. The State Government Code requires that each local government establish its appropriation limit (Gann Limit) by resolution each year.

The Controller has computed the 2000-2001 Gann Limit for the City and County of San Francisco as follows (percentages and computed amount have been rounded by the Controller):

FY 1999-2000 Gross Gann Limit	$1,477,821,483
Adjusted by:	
Increase in Cost of Living	4.91%
Increase in Population	1.26%
FY 2000-2001 Net Gann Limit	$1,569,917,337*

*1.0491 times 1.0126 equals 1.062319 times $1,477,821,483.

The Controller's Office monitors revenues affected by the Gann Limit throughout the year. At year-end, a final computation is prepared comparing actual proceeds of taxes to the Gann Limit. At that time, two tests must be met. First, all actual proceeds of taxes must be below the Gann Limit; and second, all actual proceeds of taxes collected

must be appropriated. If either test is not met, according to Article XIII B, excess revenues collected must be returned to the taxpayers within two years.

The amount appropriated in the City's FY 2000-2001 budget that is subject to the Gann Limit is $1,418,401,573 which is $151,515,764 less than the net FY 2000-2001 Gann Limit of $1,569,917,337. In accordance with the Annual Appropriation Ordinance, any FY 2000-2001 tax proceeds in excess of current estimates will be appropriated to the City's General Fund General Reserve, which is used as a revenue source (a) to fund supplemental appropriations during the current fiscal year and (b) to fund the City's budget for the next fiscal year.

Comments:

1. The Gann Limit was first applied in 1980-81 using the actual 1978-79 appropriations that would have been subject to the limit, had it existed then, as the base year (as called for by Article XIII B of the California Constitution). The 1978-79 base was adjusted for changes in per capita personal income, cost of living and population to obtain the 1980-81 limit. In each successive year, the prior year's limit was used as the base for computation of the new limit.

2. State Proposition 111, approved by the voters in June 1990, made several changes to the Article XIII B (3) which are reflected in the City's computations including an adjustment to exclude appropriations for "Qualified Capital Outlay as defined by the legislature" from proceeds of taxes. This results in a reduction of $26,107,002 for FY 2000-2001, from appropriations of proceeds of taxes subject to the limit.

3. Based on the City Attorney's memorandum of opinion of June 14, 1988, the City is excluding Court and Federal mandates from appropriations subject to the appropriations limit. The City Attorney's Office has previously advised that the exclusion of Court and Federal mandates is consistent with the meaning of Article XIII B. No previous legal challenges have been filed questioning this interpretation. The two mandates for FY 2000-2001 totaling $8,318,587, that are identified

by a survey of all City departments and verified by the Controller's Office, are as follows:

Federal Resource Conservation Act (Toxics)	$ 3,990,959
Jail Overcrowding	4,327,628
Total Court and Federal Mandates	$ 8,318,587

Recommendation: Approve the proposed resolution.

Items 13 and 14 – Files 00-1265 and 00-1267

Note: File 00-1265 is scheduled to be heard by the Transportation and Land Use Committee at its meeting of August 22, 2000. This proposed resolution must also be considered by the Finance and Labor Committee because the California Environmental Quality Act (CEQA) requires that before a public agency takes any action to approve a development project (in this case, File 00-1267), that agency must first make CEQA findings (in this case, as contained in File 00-1265).

Departments: Department of Administrative Services, Real Estate Division
Department of City Planning
Mayor's Office of Business and Economic Development
Redevelopment Agency

Item: Item 13, File 00-1265: Resolution affirming the certification of the Yerba Buena Redevelopment Project Area Expansion/Emporium Site Development Final Supplemental Environmental Impact Report by the Planning and Redevelopment Agency Commissions, and adopting environmental findings (and a statement of overriding considerations) pursuant to the California Environmental Quality Act and State Guidelines in connection with adoption of the Yerba Buena Redevelopment Project Area Expansion/Emporium Site Development Project, and various other actions necessary to implement the project.

Item 14, File 00-1267: Resolution approving and authorizing a Tax Increment Allocation Pledge Agreement between the City and County of San Francisco and the Redevelopment Agency, under which the City agrees to a pledge by the Redevelopment Agency of a portion of the available non-housing tax increment generated by the redevelopment of the project site (specifically including Assessor's Block 3705, Lots 9, 10, 12, 13, 14, 15, 17, 18, 33, 38, and 43) in favor of Emporium Development, L.L.C., a subsidiary of Forest City Enterprises, Inc. in furtherance of the implementation of the Redevelopment Plan amendment for the addition of the Emporium Site Area to the Yerba Buena Center Project Area; approving and authorizing a financing agreement and covenant to operate in connection with the development of the Emporium Site Area; approving an allocation of tax increment for affordable housing purposes in excess of the minimum amount required under Redevelopment Law;

making elections with respect to the allocation of tax increment; adopting findings pursuant to the California Environmental Quality Act; and adopting findings that the agreement is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1.

Description of the Project:

Emporium Development, L.L.C. (the Developer)[1] has proposed redeveloping the site of the former Emporium Building and adjacent warehouses and office buildings (the Project Site Area) as a multi-story, multi-use complex with rerouted portions of Jessie Street on either side of it (the Project). The proposed 1,607,000 gross square foot complex would comprise:

- A shopping galleria (up to approximately 505,000 square feet), anchored by a new Bloomingdale's Department Store (an additional 375,000 square feet), for up to a total of approximately 880,000 square feet.
- Entertainment, restaurant, and cinema space (up to approximately 115,000 square feet).
- Office space (up to approximately 237,000 square feet).
- A 465-room hotel tower (up to approximately 375,000 square feet).

Construction of the Project is scheduled to take 28 months, commencing in December of 2000 for completion by March of 2003. In addition to the construction of the proposed 1,607,000 square foot complex described above, construction would involve:

- Restoring historically significant portions of the former Emporium Building, which is considered to be a significant building under Objective 12 of the Downtown Plan Element of the General Plan. The proposed Project would preserve the following elements of the Emporium Building: its Market Street façade, much of the front 65 feet of the building (which would require seismic upgrading), the dome, and the rotunda. The remainder

[1] Emporium Development, L.L.C. is a California limited liability company which is ultimately controlled by Forest City Enterprises, Inc., a publicly traded Ohio corporation with assets in excess of $3,500,000,000.

of the Emporium Building and other existing structures in the Project Site Area would be demolished.

- Constructing underground links to the Powell Street MUNI and BART station.

With regard to the hotel component of the Project, according to Mr. Jesse Smith of the City Attorney's Office, the Developer would be required to build a pad for the hotel above the Mission Street retail/entertainment portion of the complex, and to use its best efforts to cause the hotel to be built. According to Mr. Smith and Mr. Kevin Warner of the Redevelopment Agency, the Developer has the following four main options in order to satisfy a condition to closing the combined Owner Participation and Disposition and Development Agreement (OPA/DDA):

(1) It could lease or sell the airspace to a separate hotel developer to construct the hotel (the most likely option)[2]. In this case, the Redevelopment Agency has the right to review the binding agreements between the Developer and the separate hotel developer for consistency with the OPA/DDA as a condition to closing.
(2) The Developer's parent company, Forest City Enterprises, Inc., could establish its own hotel developer subsidiary company to construct the hotel.
(3) The Developer could construct the hotel itself.
(4) The least likely option is that no hotel could be constructed. The last three options would require the Redevelopment Agency's approval before the closing could occur. According to Mr. Smith, under the proposed CEQA findings and assorted expert economic analyses, a reduced development proposal which does not include a hotel is deemed financially infeasible. Furthermore, according to Mr. Smith, the Developer has a significant financial incentive to ensure that the hotel is built because, among other things, if it was not built,

[2] According to Mr. Warner, it is estimated that the air space lease cost to a separate hotel developer would be either $1,125,000 per year during the Project's construction and $1,600,000 per year after the Project's opening, or a one-time sale price of at least $13,333,333 prior to the end of the development costs determination period (which would provide a minimum 12 percent to the Developer of approximately $1,600,000 per year). The development costs determination period is the period ending upon the earlier of (a) the first day of the first month after 95 percent of the mixed-use portion of the complex's space is leased and occupied, or (b) the end of the third year after the Project's opening.

the net available Property Tax increment contribution from the Redevelopment Agency would be substantially reduced.

The hotel could include up to 60 "interval ownership units" which are luxury suites with kitchen facilities. Fractional interests in these units would be sold in advance with occupancy rights for transient use over specific periods of time. According to Mr. Smith, the decision to develop such units would be a private matter between the Developer and the hotel developer, subject to the requirements of the Yerba Buena Center Redevelopment Plan and related plan documents (including the OPA/DDA). However, it is highly likely that such presold units would be built because they would provide the hotel developer with stable income. Furthermore, such units could be sold as residential condominium units if the criteria for parking, open space, and affordable housing specified in the proposed Yerba Buena Center Redevelopment Plan are met[3]. Approximately 16,100 square feet of the Project would be publicly accessible open space both inside the complex and on its roof. If the Project incorporates residential condominium units, additional open space would be provided for the residents.

Although the total parking requirement for the proposed Project has been estimated to be 1,330 spaces, no space has been set aside for parking because, according to the Environmental Impact Report prepared for the Project, parking shortfalls relative to demand are not considered significant environmental effects in the urban context of San Francisco. The proposal assumes that:

- Based on economic analyses commissioned by the Developer (reviewed and determined to be reasonable and accurate by a real estate economic consulting firm, Keyser Marston Associates, on behalf of the City and the Redevelopment Agency), construction of underground parking would be economically infeasible.

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[3] If such a conversion takes place, the Developer (or the hotel developer) is liable for all development fees and exactions which would apply if such residential condominium units had been built outside of the redevelopment area. According to Mr. Smith and Mr. Warner, if the Redevelopment Agency's standard 20 percent requirement for affordable housing would require a greater in lieu payment, or the development of more affordable housing, than would be required by the Planning Code's affordable housing requirements, then the Redevelopment Agency's requirement would govern.

- The Project Site Area is located next to a public transit hub, and the City has a transit first policy.
- The adjacent parking building at Fifth and Mission Streets has some spare capacity[4] and DPT is examining possible expansion of that garage and other ways to add parking capacity nearby.
- Under the proposed mitigation monitoring program and the OPA/DDA, the Developer would be responsible for developing and implementing transportation initiatives for customers and employees.
- According to the Transportation Authority, the real traffic congestion problem in the South of Market Area is freeway access, not availability of parking.

The Budget Analyst notes that other current and projected downtown developments (including the Ferry Building renovation, the Pier 1 development, MUNI's hotel project at Mission and Steuart Streets, and the Moscone Convention Center expansion) also do not propose to construct new parking spaces in the downtown area. If the interval ownership units in the hotel are converted to residential condominium units, the Developer would be required to either:

(a) Provide one parking space for every four residential condominium units if such parking spaces are located within 600 feet of the Project, or one parking space for every two residential condominium units if such parking spaces are located elsewhere in the South of Market Area. According to Mr. Smith, these allocations meet the requirements of the Planning Code (which does not require one parking space per residential condominium unit); or,

(b) Pay an in-lieu fee to the City in an amount equal to what it would cost the City to build the required number of parking spaces on City property, up to a cap of $8,333

[4] According to Mr. Ron Szeto of DPT, peak capacity for the parking garage at Fifth and Mission Streets occurs around 1 pm. In July of 2000, 1 pm peak capacity was an average of 75-85 percent on Sundays through Fridays, and an average of 95-98 percent on Saturdays. In January of 2000, 1 pm peak capacity was an average of 65-85 percent. During major conventions at the Moscone Convention Center (approximately 20 to 25 days per year), the garage can provide up to 105 percent capacity, due to the provision of a valet parking service. During these periods, DPT also coordinates with other garages in the area to maximize capacity. This information is consistent with the survey performed by transportation consultant Wilbur Smith for the Developer, according to Mr. Smith.

per unit for a maximum of 60 units ($500,000), based on the number of units the Developer or hotel developer elects to convert.

Description of the Emporium Site Area:

The approximately 6.77 acre Emporium Site Area comprises a number of land parcels:

- The former Emporium Building at 835 Market Street and adjacent warehouses and office buildings presently owned by Bloomingdale's, Inc. (Assessor's Block 3705, Lots 13, 14, 15, 17, 18, 33, 38 and 43).
- Buildings owned or held under option by the Developer (Assessor's Block 3705, Lots 9, 10 and 12).
- A 15,420 square foot portion of the 33,023 square foot section of Jessie Street which runs east-west between Fourth Street and Fifth Street to be vacated and sold by the City, through the Redevelopment Agency, to the Developer for $3,100,000.
- An approximately 100,000 square foot portion of Mission Street extending to the Mission Street wall of the parking garage at Fifth and Mission Streets.

Of the Emporium Site Area's 6.77 acres, 4.48 acres form the Project Site Area on which the complex and the rerouted portions of Jessie Street would actually be built (Assessor's Block 3705, Lots 9, 10, 12, 13, 14, 15, 17, 18, 33, 38 and 43, and the subject portion of Jessie Street).

Attachment I is a map of the various parcels of land which comprise the Emporium Site Area. Attachment II is a plan of the Project complex and the proposed configuration of Jessie Streets West and East immediately adjacent to the complex. Attachment III is a map showing the geographic relationship between the Emporium Site Area and the Yerba Buena Center Redevelopment Project Area.

In FY 2000-01, all of the above parcels of land (including the current buildings) combined are assessed for Property Tax purposes at $69,992,515.

An economic analysis performed by a private real estate economics consulting firm, the Sedway Group (for the

Developer), and reviewed and determined to be reasonable and accurate by Keyser Marston Associates, Inc. (on behalf of the City and the Redevelopment Agency), found that the portion of the Emporium Site Area on which the Emporium Building and the Emporium Annex are located (Assessor's Block 3705, Lots 38 and 43) would have substantial value, perhaps $26,000,000 or more, in their own right if the land were unencumbered by the requirement to restore the historic Emporium Building. However, the Sedway Group determined that Lots 38 and 43 have a negative value, even if all of the transferable development rights originally associated with the site and potential historic tax credits are taken into account, because the cost of preserving and restoring the historic building exceeds the value of the renovated building. The Sedway Group concluded that there is no economic incentive for a property owner or developer to pursue another project on this site which involves rehabilitation of the Emporium Building. Therefore, although (a) the Emporium Site Area as a whole is assessed for Property Tax purposes at $69,992,515, and (b) two key parcels of land, Lots 38 and 43, would be worth $26,000,000 or more in their own right if unencumbered by the requirement to preserve the Emporium Building, the preservation of the Emporium Building imposes a significant cost constraint on the Developer.

On completion, the 4.48 acre (or 195,000 square foot) Project Site Area would be allocated to the following uses:

- 182,190 square feet for the complex's "footprint."
- 12,810 square feet for mid-block rerouting of Jessie Stret to Mission Street along both sides of the complex.

According to DPW, the subject mid-block portion of Jessie Street is no longer needed for present or prospective public use, with the condition that a public utility easement be reserved for Pacific Gas and Electric gas and electric facilities and Pacific Bell telecommunications facilities, and that Jessie Street be rerouted to either side of the complex. To achieve the required street rerouting, the Developer, together with Bloomingdale's, Inc. where required (see "Ownership" below), would dedicate, construct, and convey to the City 12,810 square feet of land to permit the mid-block rerouting of Jessie Street to Mission Street along both sides

of the Project. (This would involve the demolition of the existing buildings on this land.) Of this 12,810 square feet of land, the Developer would dedicate, construct, and convey to the City approximately 6,405 square feet, or one half, for a newly created street, "Jessie Street West", and an additional approximately 6,405 square feet, the other half, for a newly created street, "Jessie Street East." According to the Redevelopment Agency, the new Jessie Streets West and East would facilitate efficient and safe traffic circulation for vehicles and pedestrians to serve the Project, including a 15-bay truck loading and delivery area served from Jessie Street West.

Ownership: Bloomingdale's, Inc., an Ohio corporation, owns most of the Project Site Area[5]. Bloomingdale's, Inc. has deemed the existing Emporium Building as unsuitable for a new Bloomingdale's department store because it does not meet modern retail standards. However, Bloomingdale's, Inc. considers the costs of building only a new department store building to be prohibitive given the requirement to preserve the historic features of the Emporium Building. Therefore, Bloomingdale's, Inc. wishes to be part of a larger development to enhance the patronage to its Bloomingdale's department store, while lowering its cost of occupying the space. Consequently, Bloomingdale's, Inc. has partnered with the Developer to create a mixed use complex. Upon the Developer's completion of (a) the shell and core of the department store, (b) the hotel pad, and (c) the mixed-use portion of the Project, Bloomingdale's, Inc. will convey all of the project site property to the Developer in exchange for a $30,000,000 shell build-out for, and fee ownership of, its Bloomingdale's department store. Effectively, the Developer would pay Bloomingdale's, Inc. $30,000,000 for (a) the land, and (b) its commitment to operate a Bloomingdale's department store as a major attraction for the retail portions of the mixed-use complex[6].

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[5] Bloomingdale's, Inc. owns most of the Project Site Area except (a) Assessor's Block 3705, Lot 9, which is owned by the Developer, (b) Assessor's Block 3705, Lots 10 and 12, which are under option to the Developer, and (c) the subject portion of Jessie Street.

[6] The structure of the proposed transaction is laid out in Recitals H and I of the draft OPA/DDA. The Developer anticipates, firstly, acquiring fee title to Lots 10 and 12 and to the subject portion of Jessie Street, and then conveying fee title to all of its holdings to Bloomingdale's, Inc. Bloomingdale's, Inc. would then ground lease the entire project site to the Developer during the Project's construction. Upon completion, Bloomingdale's, Inc. would convey fee title to the project site (excluding the department store parcel) to the Developer, thereby terminating the ground lease.

The Developer would be responsible for the costs associated with the termination of existing leases for property within the project site and any relocation assistance costs associated with existing business tenants. Certain existing office and retail uses would be provided with relocation benefits to the extent they are eligible under the Yerba Buena Center Redevelopment Plan or State redevelopment law. They could be relocated either within or outside the Project. There are no existing residential uses.

Funding Arrangements:

Based on a Redevelopment Agency report to the Board of Supervisors, the Project would increase the value of the Emporium Site Area by $450,000,000[7], from its current assessed valuation (for Property Tax purposes) of $69,992,515 to $519,992,515. This projected incremental value would be funded by a combination of private investment (see "Ownership" above) and Property Tax increment funding based on non-housing tax revenues generated by the Project, provided by the Redevelopment Agency in the maximum amount of $27,000,000 representing the net present value[8] of the Property Tax increment funding as of the Project's opening (see Comments No. 4 through 10 below). Based on the projected increased valuation of $450,000,000 once the Project has been completed and the FY 2000-01 Property Tax rate of $1.136 per $100 of assessed valuation, increased Property Tax revenue from the completed Project would total $5,112,000 annually. The size of the annual Property Tax increment contributions made by the Redevelopment Agency (funded by the incremental Property Tax revenues being generated as the Project is constructed) would be determined on the basis of the shortfall between the Developer's actual rate of return on its Project development costs and the Developer's preferred 12 percent rate of return.

Under a separate agreement, Bloomingdale's, Inc. and the Developer would enter into a Reciprocal Easement Agreement which is anticipated to include an operating convenant for Bloomingdale's, Inc. to complete the build-out of, open, and operate a Bloomindale's department store.

[7] The amount of $450,000,000 comprises (a) $46,000,000 for the Bloomingdale's department store shell, core, and fit-out, (b) $57,000,000 for the hotel, (c) $113,000,000 for 60 interval ownership units, and (d) $234,000,000 for other retail, entertainment, and office spaces.

[8] The subject proposal uses a net present value of future dollars based on a 7.5 percent annual discount rate.

In return for the Redevelopment Agency's Property Tax increment contributions, the City would participate in future net cash flow, net refinancing proceeds, and net sales proceeds from the Project (see Comments No. 11 through 14 below).

A 12 percent rate of return has been negotiated as a return on cost for the Developer and as a return on the Redevelopment Agency's investment of Property Tax increment assistance for the City. According to Mr. Warner, a 12 percent rate of return on cost for investors is reasonable in the current real estate development market. The Redevelopment Agency, the Mayor's Office of Economic Development, and independent real estate economics consultants reviewed mixed-use projects in large metropolitan areas and determined a range of returns on developers' costs from 10.5 percent to 13 percent, depending on the projects' varying components and market risk factors. Based on this analysis, a 12 percent annual return based on the one-time total cost of the Project was assessed as a reasonable rate of return given the risks to the Developer of the subject Project.

According to Mr. Warner, the 12 percent rate of return would be a simple, rather than compound, rate of return on the net operating income[9]. If the Developer achieved a higher than 12 percent rate of return on costs, there could be two benefits: (a) the Developer could require less Property Tax increment contributions from the Redevelopment Agency (because such contributions are based on the shortfall between the Developer's actual rate of return and its preferred 12 percent rate of return), and (b) the City's participation in the Project revenues could be accelerated. Mr. Warner states that the City's participation would similarly be based on a 12 percent (simple interest) rate of

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[9] Net operating income is defined as all gross revenues received by the Developer from the Project, less (a) operating expenses for each Developer fiscal year, and (b) the amount of the Capital Expenditures Reserve for each Developer fiscal year. It excludes any development cost item and there is no deduction for debt service. According to Mr. Smith and Mr. Warner, debt service is not deducted from gross revenues for the purpose of determining the net operating income and, therefore, the risk for debt service is solely carried by the Developer, to the City's benefit in the payment of participation.

return on the Redevelopment Agency's investment in the Project.

Project Approvals: The required Project approvals fall into the following four categories:

(1) Entitlements: these include (a) adopting related CEQA findings, mitigation measures, statement of overriding considerations, and mitigation monitoring program (File 00-1265 which will also be considered at the Transportation and Land Use Committee's August 22, 2000 meeting), (b) amending the Yerba Buena Center Redevelopment Plan (File 00-1257 which has been referred directly to the Board of Supervisors for a public hearing on August 28, 2000), (c) amending the City's General Plan and Zoning Map so that they are congruent with the Yerba Buena Center Redevelopment Plan Amendment (Files 00-1256 and 00-1258 to be considered at the Transportation and Land Use Committee's August 22, 2000 meeting), and (d) approving Jessie Street and Mission Street sidewalk widths, and parking and traffic regulations (Files 00-1259, 00-1311, and 00-1434 to be considered at the Transportation and Land Use Committee's August 22, 2000 meeting).

(2) Agreements for Development of the Project: these include approving (a) the OPA/DDA between the Redevelopment Agency and the Developer, and (b) an Owner Participation Agreement between the Redevelopment Agency and the Developer. According to Mr. Smith, neither the OPA/DDA, nor the Owner Participation Agreement between the Redevelopment Agency and Bloomingdale's, Inc. (which has yet to be finalized) require Board of Supervisors approval. However, Redevelopment Agency approval of these agreements is conditional upon the Board of Supervisors adopting the Yerba Buena Center Redevelopment Plan Amendment.

(3) Financing: this includes the subject resolution approving the use of Property Tax increment under a Tax Allocation Agreement between the City and the Redevelopment Agency and a Financing Agreement between the City, the Redevelopment Agency, and the Developer.

(4) Site Assembly: this includes approving (a) the vacation of a portion of Jessie Street (having adopted the Resolution of Intent under File 99-2235, the Board of Supervisors has scheduled a public hearing for August 28, 2000), and (b) a Sale and Exchange Agreement for the conveyance by the City of the vacated street area and the conveyance by the Developer of areas for the rerouting of Jessie Street (File 00-1266 to be considered at the Transportation and Land Use Committee's August 22, 2000 meeting).

Comments: Yerba Buena Center Redevelopment Plan

1. According to Mr. William Carney of the Redevelopment Agency, the Redevelopment Agency is seeking to make the Project an approximately 6.77 acre extension to the existing 87 acre Yerba Buena Center Redevelopment Project Area. The purpose of the Yerba Buena Center Redevelopment Plan is to revitalize a substantial portion of the South of Market Area by creating a mixed-use civic center with cultural institutions, hotels, retail locations, affordable housing, and the Moscone Convention Center. The Project is deemed to be an appropriate extension of the Yerba Buena Center Redevelopment Area because it provides a major retail, entertainment, and hotel center in close proximity to the Yerba Buena Gardens and Moscone Convention Center, and enhances the pedestrian and public transit connections between those locations and Market Street.

2. Adding the Project to the Yerba Buena Center Redevelopment Project Area would provide the Redevelopment Agency with the necessary legal and financial ability to contribute Property Tax increment funding to the Project in order to alleviate the economic and physical blight of the Emporium Site Area, according to Mr. Carney. Furthermore, the proposed Yerba Buena Center Redevelopment Plan Amendment would modify some of the building height and size constraints of the City's Planning Code. Attachment IV is a memorandum provided by Mr. Carney which specifies the Planning Code modifications in the proposed Amendment. The proposal to amend the Yerba Buena Center Redevelopment Plan is subject to pending legislation which, in accordance with the requirements of State redevelopment law, has been sent directly to the Board

of Supervisors for consideration after a public hearing (File 00-1257 to be heard by the full Board of Supervisors on August 28, 2000).

3. According to File 00-1256 (an ordinance amending the San Francisco General Plan to be considered at the Transportation and Land Use Committee's August 22, 2000 meeting), any property to be included in the Emporium Site Area would be necessary for the effective redevelopment of that area, and would not be included purely for the purpose of enlarging the area eligible for obtaining Property Tax increment contributions from the Redevelopment Agency, and thereby increasing such contributions.

<u>Property Tax Increment Contribution</u>

4. According to Keyser Marston Associates, Inc. and the Sedway Group, despite the currently strong San Francisco real estate market, none of the six development plans proposed for the Emporium Site Area would be economically feasible without a public subsidy because of what they term the "extraordinary costs" associated with retaining and restoring several historic portions of the Emporium Building, site assembly, relocation of utilities, and construction of new streets. (Attachment V, provided by Mr. Carney, summarizes the six alternative scenarios.) For a developer to achieve an annual 12 percent rate of return on the cost of developing the Emporium Site Area, both real estate economics consultants have identified a "feasibility gap" of $32,800,000, a funding shortfall which they believe would require public funding. The amount of $32,800,000 represents (a) approximately 7.3 percent of the total Project's incremental value of $450,000,000, or (b) approximately 10.9 percent of the Developer's capped development costs of $300,000,000[10]. However, according to Mr. Smith and Mr.

[10] <u>Capped development costs</u> are defined as the lesser of (a) actual development costs, or (b) $300,000,000 less a maximum of $15,000,000 for the gross sales proceeds from the hotel parcel (minus reasonable closing costs, brokerage fees, and prepayment penalties) if the hotel parcel is sold before the end of the development costs determination period (which is upon the earlier of either 95 percent occupancy or the end of the third year after opening). The $300,000,000 maximum capped development cost does not include the Bloomingdale's department store build-out and the construction of the hotel above the pad, and it could be decreased if the overall scope of the Project is reduced. According to Mr. Smith, capping development costs protects the City against cost overruns delaying the commencement of the City's participation term. It also limits the total amount of interest on the Developer's equity during construction which counts towards development costs.

Warner, $32,500,000 represents a much more significant gap in relation to the Developer's projected cash equity in the Project of approximately $55,000,000.

5. In response to the identified "feasibility gap" of $32,800,000, the Redevelopment Agency proposes to contribute Property Tax increment funds up to the amount of $27,000,000 (in net present value as of the date the Project opens) to reimburse the Developer for expenditures to alleviate blight and provide public benefits such as:

(1) The historic preservation costs associated with the Project. These are estimated to cost $21,333,000[11]. Attachment VI provided by Mr. Carney, summarizes the estimated historic preservation costs.
(2) Site assembly and preparation (which includes $3,100,000 to purchase the subject portion of Jessie Street).
(3) Transit and circulation improvements.
(4) Economic revitalization and job creation.

According to Mr. Smith and Mr. Warner, although these types of eligible expenditures for which Property Tax increment must be allocated are specified in the Project documents (for example, the OPA/DDA), the exact cost items on which the $27,000,000 Property Tax increment funding would be expended have not yet been determined. They note, however, that the Developer would be required to report on what eligible costs it expends for the Property Tax increment contributions it receives.

6. The $27,000,000 Property Tax increment contribution (net present value at the Project's opening) is a figure which results from negotiations between the City and the Developer over the value of the entire feasibility gap. The $5,800,000 gap (approximately 1.9 percent of the Developer's capped development costs of $300,000,000) between the

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Lowering development costs could benefit the City in two possible ways: (1) it could accelerate reaching the financial benchmark for the early cessation of Property Tax increment, and (2) it could accelerate reaching the financial benchmark for the early commencement of participation in Project revenues.

[11] According to the Sedway Group, the cost and construction risk of retaining these historic elements and selectively demolishing the rest of the structure is much greater than demolishing the entire building and building on a clear site.

Redevelopment Agency's maximum Property Tax increment contribution of $27,000,000 (9 percent of capped development costs) and the estimated $32,800,000 "feasibility gap" (approximately 10.9 percent of capped development costs) would be closed by the Developer through one or more of the following mechanisms: reducing project costs through value engineering, increasing rental revenues, finding other funding sources, or by accepting a lower rate of return. While the $27,000,000 Property Tax increment contribution is only 9 percent of the total capped development costs of $300,000,000, it represents a more significant contribution to Project development costs given that the Developer is expected to contribute equity in the amount of $55,000,000 up-front.

7. The Redevelopment Agency justifies the proposed Property Tax increment contribution of $27,000,000 in net present value as of the date the Project opens, or 6 percent of the Project's projected increased value of $450,000,000, on the grounds that the Project would generate the following public benefits:

- The Project would revitalize the area of mid-Market and Mission Streets.
- The Project would retain, restore, or adaptively reuse significant historic features of the Emporium Building.
- The Project would create an estimated 2,300 direct permanent, full time equivalent jobs[12] and an estimated 1,100 construction jobs during the construction period[13]. The Developer would commit to targets for (a) the employment of economically disadvantaged individuals, South of Market Area residents, and San Francisco residents, and (b) tenant leases with minority and women-owned businesses.
- The Developer would pay $800,000 into the City's First Source Hiring Program[14]. The Developer and other

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[12] Calculated by Keyser Marston Associates, for the City and the Redevelopment Agency.

[13] Also calculated by Keyser Marston Associates, which estimates that, in addition to direct jobs, the Project would generate in San Francisco an approximate 4,400 indirect permanent jobs, and 1,200 indirect construction jobs, as a result of the Project's economic "spin-off."

[14] The City's First Source Hiring Program is a job training and job referral program for economically disadvantaged San Francisco residents seeking entry-level jobs. In terms of the subject Project, it is anticipated that the Redevelopment Agency would administer the program for construction jobs, while the City would administer the program for permanent jobs. The Developer would designate

employers involved in the Project would be required to adhere to the City's First Source Hiring Ordinance and hire qualified economically disadvantaged individuals into entry level jobs.

- The Developer would pay $250,000 for special improvements to, or the operation of, Hallidie Plaza[15].
- The Developer would pay $1,500,000 for parking improvements in the South of Market Area or other parking solutions determined by the City (this expenditure would be separate from the parking expenditures described above which relate to the construction of residential condominium units).
- The Developer would implement a number of measures to encourage the use of public transportation by employees and customers.
- The Developer would spend at least $1,000,000 on Powell Street MUNI and BART station improvements, and at least $250,000 on off-site mitigation measures identified in the Environmental Impact Report for the Project.
- The Project would generate a projected $14,000,000 per year in new tax revenues for the City from the third year after the complex's opening (beginning in Year 2006)[16].
- The Project would contribute at least $16,000,000 in today's dollars to affordable housing over 30 years, which doubles the affordable housing fee which would otherwise be payable under the Planning Code. This would be paid on the basis of 20 percent of the Property Tax increment for the first 16 years from the effective date of the Board of Supervisors ordinance approving the Yerba Buena Center Redevelopment Plan Amendment (File 00-1257) and 40 percent for years 17 to 30. The Project would also contribute a child care fee of $1 per square foot of new hotel and office space, for an estimated total contribution of $398,000. According to the Planning Department, additional fees would also be payable for open space (an

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and fund a liaison person to work with the Redevelopment Agency and the City to implement the First Source Hiring Program within the Project, in part by informing tenants of their obligation to advise the City about available entry-level jobs.

[15] This amount is approximately the same as would be payable if the Project site street frontages were part of the Union Square Business Improvement District.

[16] Keyser Marston Associates estimates $6,000,000 per year to the General Fund and $8,000,000 per year to other City funds (dedicated MUNI and DPW revenues, hotel tax funds, and child care fees). These estimates consist of total projected tax revenues (including all Property Tax increment) less the City's projected costs of providing additional services.

estimated $66,000) and for transit impact (an estimated $115,000).

- An annual $200,000 payment would be made to the City (indexed for inflation through annual adjustments based on changes in the Consumer Price Index) for the first 15 years of the Project, or a one-time in-lieu payment of $2,250,000, if the Developer allocates hotel rooms as interval ownership units. These payments are a negotiated amount which would be in lieu of possible lost Hotel Tax revenues should such hotel units be converted to interval ownership units.

8. The Redevelopment Agency's Property Tax increment contribution would not exceed a cap of $27,000,000 in net present value as of the date of the Project's opening and would not continue beyond the earlier of (a) 13 years after the Project opens, (b) 16 years after the effective date of the ordinance adopting the Yerba Buena Center Redevelopment Plan Amendment (File 00-1257)[17], or (c) the year in which the Developer receives net proceeds from refinancing or sale in an amount equal to, or greater than, actual development costs less $25,000,000[18].

In any year, the Redevelopment Agency's annual maximum Property Tax increment contribution to the Developer would not exceed 60 percent of the total Property Tax increment revenues generated within the Emporium Site Area that year. The Redevelopment Agency would pay the Property Tax increment contributions to the Developer on a "pay-as-you-go" basis, once annually, from the first year in which construction of the Project produces incremental assessed value[19]. No Property Tax increment revenues would be

[17] According to Mr. Smith, the 16 year period caps the risk to the Redevelopment Agency of a longer than anticipated construction period. This is subject to a possible maximum three year extension if there is major damage to the Project (outside the Developer's control) which reduces the annual net available Property Tax increment to the Redevelopment Agency by 10 percent or more.

[18] According to Mr. Warner, $25,000,000 is the amount of equity investment the Developer must retain in the Project while the Redevelopment Agency is contributing Property Tax increment. Once City participation begins, the Developer is no longer required to retain equity investment in the Project.

[19] The Agency, subject to Board of Supervisors approval, would have the option to issue Tax Allocation Bonds and pay the Developer the Increment Liquidation Amount in lieu of pay-as-you-go increments, if that would be financially advantageous for the Redevelopment Agency. The Increment Liquidation Amount would be (a) the amount of any prepayment penalty, plus 97 percent of the difference between (a) $27,000,000 plus 7.5 percent annual interest, and (b) the Property Tax

available beyond the Property Tax increment generated by the Project itself. The Redevelopment Agency's annual Property Tax increment contribution could equal the total increment collected on the assessed value of taxable Project property, less:

- The affordable housing set-aside.
- An approximately 20 percent statutory pass-through required under redevelopment law for payments to funding agencies (including the City, the San Francisco Unified School District, and BART).
- Up to 2 percent annual growth in the Property Tax base to adjust for inflation.
- An annual fee to the Redevelopment Agency of $65,000 for the first three years in which the Developer receives Property Tax increment, then $50,000 annually for the next four years, and then $35,000 annually until the end of the Property Tax increment contribution period (all amounts indexed for up to 3 percent annual inflation). These payments are intended to compensate the Redevelopment Agency for the costs of overseeing the Project.

9. According to the estimates prepared by the Sedway Group for six alternative development scenarios for the Emporium Site Area (as described in Attachment V), this preferred development plan requires the least public subsidy and provides the most public benefits. However, the other five alternative scenarios would preserve more of the historic Emporium Building and would conform more closely with existing Planning Code requirements. Mr. Tony Irons, the City Architect, has reviewed the construction cost estimates

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increment and interest contributed thus far. However, according to Mr. Smith, pay-as-you-go Property Tax increment contributions are preferable to tax allocation bonds. Tax allocation bonds are based on projected tax increment payments and are, therefore, at risk of reassessment or decreased tax revenues due to damage to the Project, and place more risk directly on the Developer (although pay-as-you-go makes it more difficult for the Developer to finance those proceeds). Conversely, the size of pay-as-you-go Property Tax increment contributions is determined by the Property Tax increment actually generated. Furthermore, tax allocation bonds would be more expensive because (a) the Yerba Buena Center Redevelopment Area has a shorter term which ceases between 2008 and 2010, thereby reducing the length of time available to amortize the bonds in the absence of a term extension or credit enhancement, (b) the Redevelopment Agency would have to pay transaction costs associated with issuing the bonds, and (c) the City and the Redevelopment Agency would need to safeguard against potential default on the bonds (such as obtaining a guarantee for shortfalls in tax increment funds to pay debt service costs).

10. No documentation provided to the Budget Analyst provides a comprehensive economic analysis of the costs to Bloomingdale's, Inc. of not developing the Project Site Area in terms of (a) all the operating costs associated with owning currently vacant or underutilized commercial properties in the Project Site Area[20], and (b) the projected loss to Bloomingdale's, Inc. resulting from no development of the Project Site Area. The Budget Analyst has not been able to verify what Bloomingdale's, Inc. would do with the valuable, centrally located Project Site Area if the proposed Project did not proceed. Due to the lack of this information, the Budget Analyst is unable to determine the extent to which the feasibility of developing the Project Site Area depends on Redevelopment Agency contributions of $27,000,000 of Property Tax increment to the Developer.

City Participation in Project Revenues

11. Under the proposed Project, in return for the City's Property Tax increment contribution, the City would participate in net cash flow, net refinancing proceeds, and net sales proceeds from the Project. The participation revenues, which would all go to the City's General Fund[21], would be generated on the following basis:

- City participation in net cash flow is 35 percent of net operating income after the Developer recovers (a) for any participation payable in years 1 to 19 after the Project's opening, its 12 percent annual return on capped development costs plus accumulated net operating income shortfalls (and 12 percent interest on such shortfalls), and (b) for any participation payable in years 19 onwards, its annual 12 percent simple interest return on capped development costs.
- City participation in refinancings would be 35 percent of the Developer's net proceeds from a refinancing.

[20] As one example, based on the most recent assessed valuation for Property Tax purposes of the Project Site Area properties held by Bloomingdale's, Inc. (approximately $63,600,000), Bloomingdale's, Inc. would be liable for Property Tax payments of approximately $722,496 per year (at the FY 2000-01 rate of $1.136 per $100 of assessed valuation).

[21] Under the Tax Allocation Agreement, the Redevelopment Agency irrevocably assigns participation payments to the City.

- City participation in sales would be 35 percent of the net proceeds from a sale.

Selling the hotel parcel would represent one-time participation for the City if it happens after the end of the development costs determination period. If it occurs before the end of that period, it would reduce the development costs but there would be no participation in the sale of the hotel parcel. According to Mr. Warner, if the hotel pad is sold for up to $15,000,000, both the Developer's actual development costs[22] and the capped development costs would be reduced accordingly to the benefit of both the Developer (in terms of overall Project financing) and the City (due to the potential increased likelihood that the Developer would reach the financial benchmark for the early cut-off of Property Tax increment). If the hotel parcel sale's proceeds exceed $15,000,000, those proceeds above $15,000,000 reduce only the Developer's actual development costs, not the capped development costs because of a negotiated $15,000,000 cap for hotel parcel sales proceeds. However, the City again benefits in that reduced actual development costs accelerate the City's participation in Project revenues.

12. The City's participation would begin on the earliest of:

- The year in which both (a) the Project's net operating income, exclusive of the City's Property Tax increment contribution, is equal to or greater than an annual 12 percent return on capped development costs, and (b) the balance of accumulated net operating income shortfalls (and annual 12 percent interest on such shortfalls) is zero.
- The year in which the Developer receives net sale proceeds less $25,000,000.
- The 18th anniversary date of the Project opening (projected to be approximately 2021 based on a Project opening of 2003).

[22] Actual development costs are defined as (a) the Developer's expenditures on development of the Project, and (b) 12 percent interest on the Developer's equity during the construction period. Development costs would be reduced by (a) the amount of Property Tax increment rebated to the Developer during construction, (b) any Project revenues received by the Developer during construction, and (c) the total net proceeds from a sale of the hotel parcel if it is sold before the end of the development costs determination period.

Subject to ongoing negotiations with labor union representatives, the Developer could be obligated to prepay $1,000,000 of the City's participation revenue in accordance with provisions relating to Bloomingdale's department store labor relations. According to Mr. Smith, such prepayment would be applied to the last participation dollars otherwise payable to the City.

13. The City's participation would be (a) capped at the total amount of Property Tax increment it had contributed, plus 12 percent simple interest on that total contribution, and (b) limited to a maximum term of 99 years. The Developer would have the right to buy out or prepay some or all of the City's participation at any time. Mr. Smith notes that the 99-year maximum term would cover a number of economic cycles, thereby protecting the City's participation against short-term economic downturns. Projections, however, estimate that full repayment of the City's Property Tax increment investment plus required interest would take 33 years. According to Mr. Smith, the City's participation rights are associated with the mixed-use portion of the Project, and would continue even if some or all of the mixed-use portion of the Project was sold or transferred to other owners.

14. Projections prepared by the Sedway Group for the Developer, and reviewed by Keyser Marston Associates on behalf of the City and the Redevelopment Agency, indicate that the City would be able to recoup fully its investment of Property Tax increment, plus an annual 12 percent simple interest return on its total investment, from the Project's cash flow and net refinancing proceeds. The City is estimated to receive (a) all of the principal amount of its Property Tax increment contribution (which would have been up to $27,000,000 in net present value as of the Project's opening) back from Project revenues within the first 24 years after the Project opens, and (b) the annual 12 percent simple interest return on its total Property Tax increment contribution between years 25 and 33 after the Project opens.

Attachment VII is a spreadsheet prepared by the Sedway Group summarizing the chronological breakdown of:

- The Redevelopment Agency's estimated cumulative Property Tax increment contributions in the amount of

$40,747,639 between Years 1 and 12, which has a net present value of $27,000,000 using an annual discount rate of 7.5 percent, discounted to the Project's opening.

- The City's subsequent participation in net revenue in the amount of $42,741,661 between Years 19 and 24 (assuming a sale or refinancing in the amount of $17,060,937 in Year 23) by which time the City is scheduled to be repaid an amount equivalent to the Redevelopment Agency's Property Tax increment contribution of $27,000,000 (net present value as of the Project's opening).
- The City's subsequent participation in net revenue in the amounts of $76,578,791 between Years 25 and 33 by which time the City is scheduled to be paid a 12 percent simple interest return on the Redevelopment Agency's total Property Tax increment contribution of $27,000,000 (net present value as of the Project's opening).

Based on the assumed net revenue to be derived from the Project, and the projected 7.5 percent discount rate, the participation outlined in Attachment VII equates to $27,000,000, plus 12 percent simple interest. According to Mr. Smith, the Sedway Group projections were reviewed and determined to be reasonable and accurate by Keyser Marston Associates, on behalf of the City and the Redevelopment Agency.

<u>Key Risks to the City</u>

15. According to Mr. Smith, the key risks to the City of proceeding with the proposed Project would be:

- The proposed construction is either not completed or not opened, and therefore blight in the Emporium Site Area is not alleviated and the public benefits from the Project (including jobs and tax revenues) are not realized.
- The subject portion of Jessie Street is vacated and conveyed to the Developer but the complex is not built.
- The Redevelopment Agency's contribution of $27,000,000 in Property Tax increment is more than the Project requires to be economically feasible due to, for example, better than expected Project revenues, lower than expected development costs, or higher than expected refinancing or sale proceeds.

- Post-completion market conditions prevent the projected revenues to both the Developer and the City from being generated, thereby providing the City with neither the projected return on the Redevelopment Agency's investment of Property Tax increment, nor the projected public benefits (such as tax revenues, jobs, and economic revitalization).
- The hotel is not built thereby reducing the number of jobs, the revenue, and the tax increment generated by the Project.
- There is a disaster due to earthquake, fire, or some other catastrophic event which diminishes or delays the City's participation in Project revenues.

With regard to the proposed Project not proceeding, Mr. Smith states that the key risks to the City would be that Bloomingdale's, Inc. keeps the Emporium Building vacant, that no development occurs, and that, therefore, the City does not receive the public benefits which would accrue from the proposed Project (as outlined in Comment No. 7 above).

16. Mr. Smith advises that the proposed development contains the following provisions which would mitigate these risks:

- There is the inherent financial risk to the Developer (and its parent company, Forest City Enterprises, Inc.), Bloomingdale's, Inc., and the construction lender of not completing the Project because the Developer, Bloomingdale's, Inc., and the construction lender would be committing significantly more private dollars than the Redevelopment Agency would be contributing to the Developer in Property Tax increment.
- The subject portion of Jessie Street could not be conveyed, and escrow could not close, until the Developer has finalized its project financing, obtained the required permits, and met a number of other conditions to closing under the OPA/DDA[23].

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[23] According to Mr. Smith, the vacation of the subject portion of Jessie Street would not become effective until the Yerba Buena Center Redevelopment Plan Amendment and the General Plan Amendment ordinances take effect, and the Developer (together with Bloomingdale's, Inc. where required) has: (a) irrevocably dedicated the property for Jessie Streets West and East to the City; (b) agreed to construct the new Jessie Streets West and East, including required public utilities, pursuant to a street improvement agreement and permit; (c) furnished bonds or other security

- Even if the subject portion of Jessie Street was conveyed but the complex was not built, the City would have received the $3,100,000 payment (the November of 1999 assessed value of the property) and bonds or other security procured by the Developer to finance completion of the new Jessie Streets West and East, and an irrevocable offer to dedicate and convey fee title for the new street areas to the City.
- The City would have contributed only a projected $1,977,027 in Property Tax increment by the end of the 28 month construction period (based on a fully completed Project). The City could seek to have the Redevelopment Agency require repayment under any new or amended Owner Participation Agreement for which new consideration is required if alternative development proposals were to be constructed instead.
- The following provisions in the Financing Agreement would mitigate against the risk of the Redevelopment Agency contributing more Property Tax increment than the Project needs to be economically feasible: (a) Property Tax increment contributions could only commence after construction actually begins, (b) Property Tax increment contributions could be terminated early based on better than expected performance against refinancing proceeds or net sale proceeds benchmarks, and (c) the City's participation in Project revenues could begin early if the Project meets cash flow or net sale proceeds benchmarks earlier than expected.

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acceptable to the City to guarantee completion of the new street areas; and (d) ensured that the City has interim easements to maintain access to public utilities located in the subject portion of Jessie Street, and pedestrian and vehicular access to adjacent properties until Jessie Streets West and East are constructed.

The City proposes to sell and convey the subject portion of Jessie Street to the Redevelopment Agency for immediate sale and reconveyancing to the Developer. In turn, the Developer would (a) pay $3,100,000 directly to the City through escrow, and (b) dedicate, construct, and convey fee title to the City for Jessie Streets West and East. Therefore, according to Mr. Smith, the sale and conveyancing process is being held in two stages through a "simultaneous" escrow which ensures that the property is not conveyed to the Developer until all of the conditions for the commencement of the Project are satisfied. Mr. Smith states that this allows the Redevelopment Agency to serve as a clearinghouse for all of the closing conditions and helps protect the City's interest by ensuring that conveyance does not occur until the Developer is ready to begin construction. Neither the City nor the Redevelopment Agency would pay the transfer taxes and closing costs associated with the conveyance.

- If construction takes longer than 28 months (subject to force majeure[24]), the Redevelopment Agency could require specific performance measures, as permitted under the OPA/DDA.
- In the event of a disaster, the Developer would be obliged to restore up to the extent of insurance coverage[25].
- The maximum 99-year participation term would give the City time to fully recover its Property Tax increment contributions, plus annual 12 percent simple interest, even if there was damage to the complex or a market downturn.
- The parent company, Forest City Enterprises, Inc., would provide the City with a completion guarantee so that it would complete the construction of the complex if the Developer fails to do so, subject to Forest City Enterprises, Inc. being able to obtain the necessary financing. If Forest City Enterprises, Inc., despite using its best efforts, cannot obtain financing, it could terminate its obligations to complete so long as it pays back the Property Tax contribution it has received from the Redevelopment Agency, the annual 12 percent simple interest on the total contribution, plus a termination fee of $1,000,000 if the Project is less than 50 percent completed. According to Mr. Smith, this guarantee is a condition of the close of escrow under the OPA/DDA.
- The Developer has a financial incentive to have the hotel built (as outlined in "Description of the Project" above).
- A Financing Agreement covenant obligates the Developer to use commercially reasonable efforts to enforce operating covenants for the hotel and the Bloomingdale's department store. If the Developer breaches this covenant, and the number of full-time equivalent jobs fall below levels specified in the Financing Agreement, the Redevelopment Agency would have the right to reduce its Property Tax increment contributions, or, if the Property Tax increment contribution term has ended, the City

[24] An unexpected event outside of a party's control which delays that party's ability to perform under a contract.

[25] According to Mr. Smith, the Redevelopment Agency's Risk Manager has approved the Developer's required insurance coverage. After Project completion, the Redevelopment Agency would review the Developer's insurance coverage every five years to check that the Developer's insurance coverage is commercially prudent (subject to the limitations specified in Section 7.3 of the Financing Agreement).

would have the right to accelerate the payment of participation.

Related City and Redevelopment Agency Costs

17. The City estimates its total costs of managing this proposed Project to be as follows:

- Total expenses of up to approximately $350,000 to be incurred by the City Attorney's Office in relation to the transaction documents. These expenses would be reimbursed by the Developer.
- Total expenses of approximately $350,000 expected to be incurred by the Redevelopment Agency for outside counsel. These expenses could be covered by the existing Yerba Buena Center Redevelopment Area budget, according to Mr. Carney.
- Annual expenses incurred by the Redevelopment Agency for the costs of monitoring the Project. These expenses would be reimbursed by the Developer in the amount of $65,000 for each of the first three years in which the Developer receives Property Tax increment, then $50,000 for each of the next four years, and then $35,000 annually until the end of the Property Tax increment contribution period (all amounts indexed for up to 3 percent annual inflation).
- Total expenses of approximately $15,000 incurred by the Real Estate Division of the Department of Administrative Services in processing the sale of the subject portion of Jessie Street. These costs would be reimbursed by the $3,100,000 Jessie Street sale proceeds.

Summary: Emporium Development L.L.C. has proposed redeveloping the site of the former Emporium Building and adjacent warehouses and office buildings as a 1,607,000 gross square foot multi-story complex comprising retail, entertainment, restaurant, cinema, office, and hotel complex. Construction is scheduled to take 28 months, and would involve restoring historically significant portions of the former Emporium Building and constructing underground links to the Powell Street MUNI and BART station. The Project is projected to increase the value of the site by $450,000,000, from its current assessed valuation (for Property Tax purposes) of $69,992,515 to $519,992,515. This projected incremental

value would be funded by a combination of private investment and Redevelopment Agency Property Tax increment contributions.

According to independent real estate economics consultants, despite the currently strong San Francisco real estate market, none of the six development plans proposed for the Emporium Site Area would be economically feasible without a public subsidy because of what they term the "extraordinary costs" associated with retaining and restoring the Emporium Building, site assembly, relocation of utilities, and construction of new streets. For a developer to achieve an annual 12 percent rate of return on the cost of this Project, the real estate economics consultants have identified a "feasibility gap" of $32,800,000, a funding shortfall which they believe would require public funding.

In response to this identified "feasibility gap", the Redevelopment Agency proposes to contribute Property Tax increment funds up to the amount of $27,000,000 (in net present value as of the date the Project opens) to reimburse the Developer for expenditures which alleviate blight and provide public benefits such as historic preservation costs, site assembly and preparation, transit and circulation improvements, and economic revitalization and job creation. The amount of $27,000,000 was determined through negotiations between the City, the Redevelopment Agency, and the Developer.

No documentation provided to the Budget Analyst provides a comprehensive economic analysis of the costs to Bloomingdale's, Inc. of <u>not</u> developing the Project Site Area in terms of (a) all the operating costs associated with owning currently vacant or underutilized commercial properties in the Project Site Area, and (b) the projected loss to Bloomingdale's, Inc. resulting from no development of the Project Site Area. The Budget Analyst has not been able to verify what Bloomingdale's, Inc. would do with the valuable, centrally located Project Site Area if the proposed Project did not proceed. Due to the lack of this information, the Budget Analyst is unable to determine the extent to which the feasibility of developing the Project Site Area depends on Redevelopment Agency contributions of $27,000,000 of Property Tax increment to the Developer.

Projections indicate that the City would be able to recoup fully its investment of Property Tax increment, plus an annual 12 percent simple interest return on its total investment, from the Project's cash flow and net refinancing proceeds. The City is estimated to receive (a) all of the principal amount of its Property Tax increment contribution (which would have been up to $27,000,000 in net present value as of the Project's opening) back from Project revenues within the first 24 years after the Project opens, and (b) the annual 12 percent simple interest return on its total Property Tax increment contribution between years 25 and 33 after the Project opens.

The key risks to the City of proceeding with the proposed Project would be:

- The proposed construction is either not completed or not opened.
- The subject portion of Jessie Street is vacated and conveyed to the Developer but the complex is not built.
- The Redevelopment Agency's contribution of $27,000,000 in Property Tax increment is more than the Project requires to be economically feasible.
- Post-completion market conditions prevent the projected revenues to both the Developer and the City from being generated.
- The hotel is not built.
- There is some catastrophic event which diminishes or delays the City's participation in Project revenues.

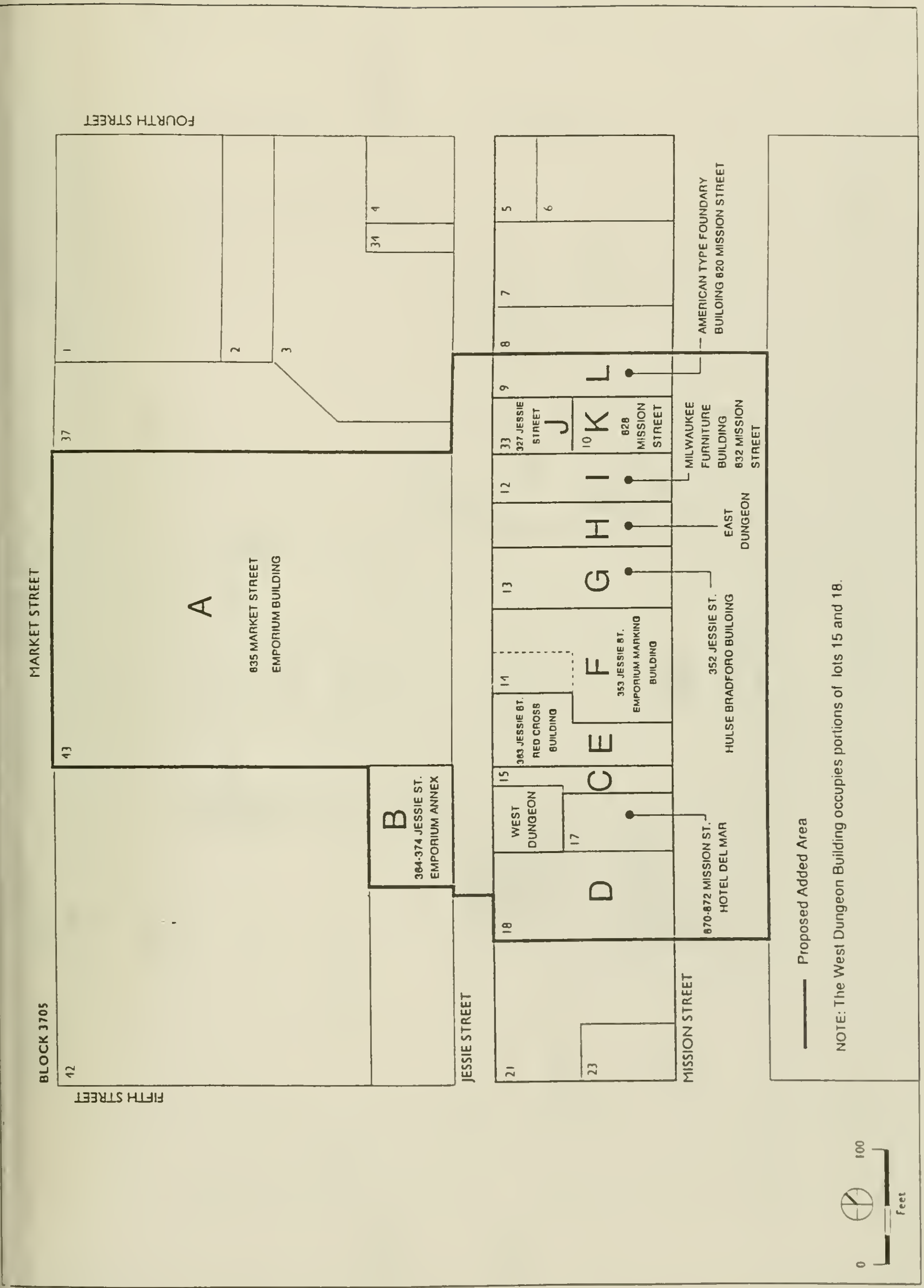
The proposed Project contains a number of risk mitigation provisions, which are described in Comment No. 16 above.

The City estimates its total costs of managing this proposed Project to be as follows:

- Up to $350,000 to be incurred by the City Attorney's Office in relation to the transaction documents (to be reimbursed by the Developer).
- Approximately $350,000 expected to be incurred by the Redevelopment Agency for outside counsel (to be covered by the existing Yerba Buena Center Redevelopment Area budget).

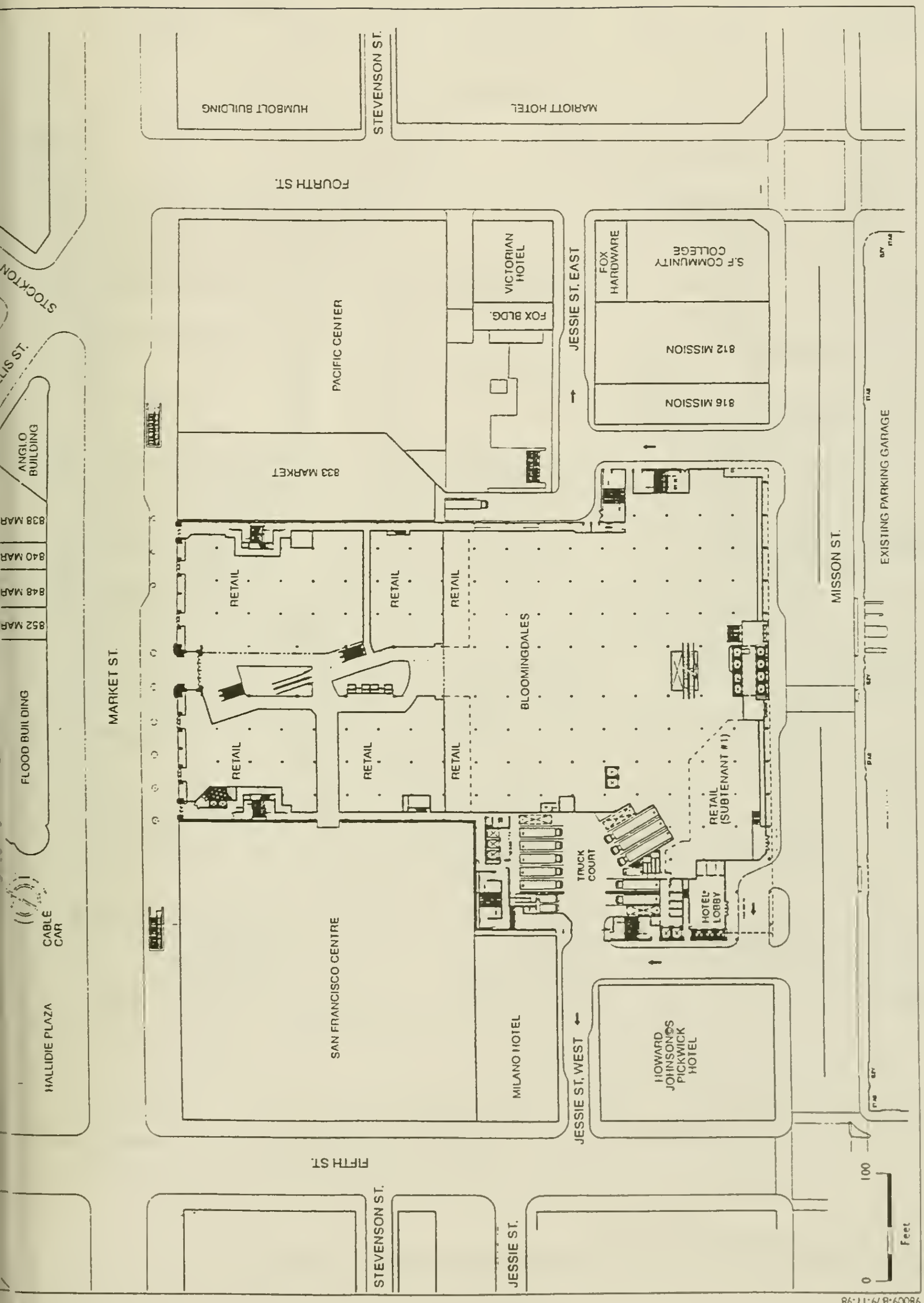
- Annual expenses incurred by the Redevelopment Agency for the costs of monitoring the Project (to be reimbursed by the Developer).
- Approximately $15,000 incurred by the Real Estate Division of the Department of Administrative Services (to be reimbursed by the $3,100,000 Jessie Street sale proceeds).

Recommendation: Approval of the proposed resolutions is a policy matter for the Board of Supervisors.



YERBA BUENA CENTER REDEVELOPMENT PROJECT AREA EXPANSION

FIGURE II-5: BUILDING LOCATION MAP

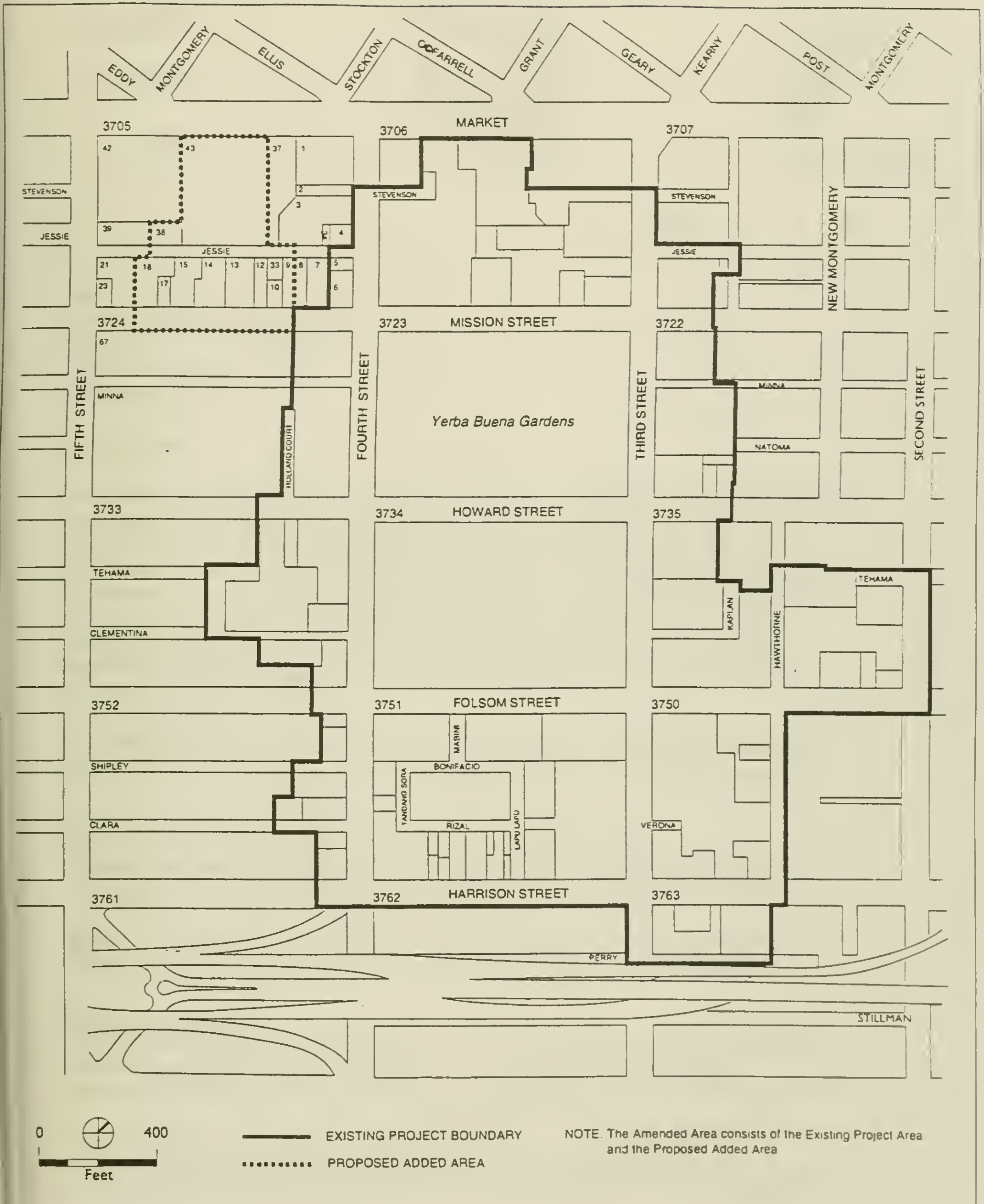


SOURCE K.A. Inc Architecture

EIP

YERBA BUENA CENTER REDEVELOPMENT PROJECT AREA EXPANSION

FIGURE III-1: ILLUSTRATIVE PLAN OF PROPOSED PROJECT



YERBA BUENA CENTER REDEVELOPMENT PROJECT AREA EXPANSION

FIGURE I-2: EXISTING REDEVELOPMENT PROJECT AND THE PROPOSED ADDED AREA

San Francisco
Redevelopment Agency

770 Golden Gate Avenue
San Francisco, CA 94102

415.749.2400
TTY 415.749.2500

August 17, 2000

Harvey M. Rose
Board of Supervisors Budget Analyst
City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Dear Mr. Rose,

The proposed Yerba Buena Plan Amendment modifies the existing Yerba Buena Redevelopment Plan by expanding the Project Area boundaries to include the adjacent Emporium Site Area; making a major department store and mixed-use retail, entertainment, office and hotel development on the Emporium Site Area an objective of the Redevelopment Plan; providing for tax-increment financing up to $27 million (in net present value at the date of opening) to be derived only from the Emporium Site Area if needed to make the proposed development feasible; and incorporating significant portions of the Planning Code as the Development Standards for the Emporium Site Area, with modifications necessary to accommodate the proposed redevelopment of the area.

To accomplish the proposed redevelopment, the Plan Amendment modifies the Planning Code requirements that would otherwise apply for the Emporium Site Area in the following ways:

Use
- Allows hotel and office as permitted uses (instead of conditional uses).
- Provides for "interval hotel suites" and for their conversion to residential use (subject to parking, open space and affordable housing requirements similar to those in the Code).

These uses could be granted under the current Code, and the Plan Amendment process provides a greater degree of public review than does the conditional use process.

Density, height and bulk
- Provides a base Floor Area Ratio (FAR) of 9:1 with no additional increase for Transferable Development Rights (TDRs) (current base is 6:1, increasing to 9:1 with TDRs).
- Increases height and bulk limits to 135-X, 200-X and 400-X (from 120-X, 160-X and 160-F).

The FAR change provides for the amount of development necessary to make the redevelopment of the site economically feasible, within the maximum development envelop allowable on the site under the current Code. The height changes allow for adjustments to

accommodate the relocation of the Emporium Building dome and to create a more slender and graceful hotel tower compatible with the adjacent towers of the Yerba Buena Center.

Historic preservation

- Provides for a specific program for retaining, restoring, rehabilitating, and adaptively reusing the historically significant features of the Emporium Building, in lieu of Article 11.

In finding the proposed Plan Amendment consistent with the General Plan, the Planning Department has determined that the Emporium Building has no substantial remaining value and therefore could be subject to demolition. However, the Plan Amendment specifically provides for retaining the historically significant features of the building, including the Market Street façade, the historic office portion of the building, and the dome and rotunda.

Other provisions

- Reduces off-street freight and bus loading requirements in accordance with the demand analyses in the Project EIR.
- Allows minor shadowing of Hallidie Plaza in light of the limited nature of shadowing established in the Project EIR.
- Allows minor exceedances of wind comfort standards in light of the limited nature of wind impacts as described in the Project EIR.
- Retains Article 6 regarding signs, but allows certain exceptions based on compelling design or architectural justification.

The first three items could be granted as exemptions under the current Code, and the Plan Amendment process provides the same level of analysis by the Planning Department and a greater degree of public review than does the exemption process. The sign item provides the Planning Department and the Agency with the discretion to provide higher signs and greater projections for awning signs based on compelling design or architectural justification.

Since the Plan Amendment provides that the Planning Code acts as the basic development controls in the Emporium Site Area, design review and approval of the project will be conducted by the Planning Department, in accordance with a Delegation Agreement with the Redevelopment Agency. The Delegation Agreement is intended to assure that the Planning Code, as modified, is applied to the Emporium Site Area in a manner consistent with other areas in the City.

Please call me at 749-2412 should you have any further questions.

Sincerely,

William Carney

William Carney
Senior Project Manager
Yerba Buena Center

San Francisco
Redevelopment Agency

770 Golden Gate Avenue
San Francisco, CA 94102

415.749.2400
TTY 415.749.2500

SF RA

August 17, 2000

Harvey M. Rose
Board of Supervisors Budget Analyst
City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Dear Mr. Rose,

In response to the request from your office, the following provides descriptions of the six redevelopment alternatives analyzed for the proposed Emporium Site Area. Economic analysis conducted by Sedway Group and confirmed by Keyser Marston Asociates determined that all the alternatives, except the preferred alternative, were infeasible without substantially greater financial assistance.

- Preferred Alternative – The Preferred Alternative includes new retail, entertainment, restaurant, cinema, office and hotel uses. The Project would retain, rehabilitate, and restore the Market Street façade (to a depth of 65 feet) and the existing dome and rotunda of the Emporium Building. The project would demolish and replace other existing buildings between Market and Mission streets, would relocate existing office uses within the new building, and would require the City to vacate a portion of Jessie Street. The Preferred Alternative includes 277,500 square feet of gross leasable area (GLA) of retail space, 97,000 square feet (GLA) of entertainment space, 225,000 square feet (GLA) of office space, a 355,500 square foot (GLA) Bloomingdale's department store, and a 375,000 square foot 210-room hotel and 60-unit interval vacation ownership component.

- EIR Alternative C – This alternative preserves the exterior and interior of the Emporium Building and the Annex Building including the Jessie Street facades. Jessie Street becomes a glass-enclosed "gallery" with bridges connecting the development on either side. Development on the south side is limited to a four-story base and seven-story tower. This alternative includes 255,500 square feet (GLA) of retail space, 164,700 square feet (GLA) of office space, and a 357,000 square foot (GLA) Bloomingdale's department store.

- EIR Alternative D - This alternative also preserves most of the Emporium Building, but would allow selective demolition of the Jessie Street façade, as well as demolition of the Annex Building. Some floors of the new addition would span Jessie Street. Development south of Jessie Street would also be limited to a four-story base and seven-story tower, although somewhat bulkier than under Alternative C. This alternative includes 186,800

square feet (GLA) of retail space, 80,000 square feet (GLA) of entertainment space, 113,300 square feet (GLA) of office space, a 401,500 square foot (GLA) Bloomingdale's department store, and a 196-room, 174,000 square foot hotel.

- EIR Alternative E – This alternative, also known as the Existing Planning Controls Alternative, preserves the Emporium and Annex buildings, but maximizes the development, to the extent permitted under existing planning controls, in the area south of Jessie Street. This alternative includes 272,300 square feet (GLA) of retail space, 39,100 square feet (GLA) of entertainment space, 257,200 square feet (GLA) of office space, and a 360,200 square foot (GLA) Bloomingdale's department store.

- Historic Preservation Alternative (Retail) – This alternative encompasses only the historic Emporium retail store, which would be historically renovated for primarily retail, with some office space.

- Historic Preservation Alternative (Office) – This alternative encompasses only the historic Emporium retail store, which would be historically renovated for primarily office, with some retail space on the first two floors.

Please call me at 749-2412 should you have any further questions.

Sincerely,

William Carney

William Carney,
Senior Project Manager
Yerba Buena Center

EXHIBIT 1
SUMMARY OF HISTORIC RETENTION AND RESTORATION COSTS

(Based on Swinerton & Walberg 3/16/00 Cost Estimates)

Dome and Rotunda Restoration	$4,036
Market Street Façade	1,920
Historic Building Retention	8,021
Subtotal – Hard Costs per Swinerton Estimates	13,977
Construction Contingency @ 10%	1,398
Subtotal	15,375
Indirect Costs @ 19.5%[1]	3,002
Total Development Cost Before Financing	18,377
Financing Costs @ 19.2%[2]	2,956
Total Development Cost	$21,333

[1] Percentage rate estimated to include architectural, engineering, legal, insurance, taxes, public permits and fees, development management fees, and EIR. Actual architectural and engineering costs will likely be disproportionately high for historic work.

[2] Average rate per project pro forma ($^{33,270}/_{173,000}$). As many of the historic preservation costs will occur, early on, the actual carrying costs will probably be higher.

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TERM SHEET
ATTACHMENT 3
Cash Flow Summary and Participation Analysis
Participation Assuming Sale/Refi
Emporium Site San Francisco
35% City Participation
Scenario: Preferred Alternative
Assuming Net Capped Development Cost of $286.7 Million

		Construction Period	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Loan Supported (at 10%I, 1.30 DCR, 25Y amort.)					$160,240,340							
Refinance Assumptions												
Indicated Loan Supported at 10% Interest rate					$160,240,340							
Less Cost of Sale/refinance	2.0%				($3,204,807)							
Less Greater of Total Development Cost/Previous Loan Amount					($288,666,667)							
Net Proceeds for Distribution					($129,631,133)							
Net Operating Income Less Capital Expenditures			$20,608,919	$21,847,987	$22,949,380	$25,233,153	$25,138,653	$26,040,845	$29,498,970	$29,394,196	$29,265,755	$32,669,340
Tax Increment Rebate to FC (1)			$2,762,397	$2,972,597	$3,277,166	$3,342,195	$3,408,506	$3,495,130	$3,564,655	$3,635,558	$3,705,519	$3,776,866
Total Revenue and Tax Increment Rebate			$23,371,316	$24,820,584	$26,226,546	$28,575,348	$28,547,161	$29,535,975	$33,063,625	$33,029,754	$32,991,274	$36,446,206
Preferred Return to Forest City			$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000
Balance Available for Distribution (after preferred FC Return)			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
City Participation Summary (2)												
Sale/Refi			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Participation in NOI (after FC Preferred Return)			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Annual City Participation			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Maximum City Participation Calculation												
Simple Interest Rate	12.0%											
City Participation		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
TI Disbursed Less Participation		$1,977,027	$2,762,397	$2,972,597	$3,277,166	$3,342,195	$3,408,506	$3,495,130	$3,564,655	$3,635,558	$3,705,519	$3,776,866
Cumulative TI Disbursed less Participation		$1,977,027	$4,739,424	$7,712,021	$10,989,187	$14,331,382	$17,739,890	$21,235,020	$24,799,676	$28,435,233	$32,140,752	$35,917,618
Interest on Prior Cumulative TI Disbursed		$0	$237,243	$568,731	$925,443	$1,318,702	$1,719,766	$2,128,767	$2,548,202	$2,975,961	$3,412,229	$3,856,690
Cumulative Interest		$0	$237,243	$805,974	$1,731,417	$3,050,119	$4,769,886	$6,898,672	$9,446,874	$12,422,835	$15,835,063	$19,691,954
Cumulative TI + Interest less Participation		$1,977,027	$4,976,667	$8,517,995	$12,720,604	$17,381,501	$22,509,775	$28,133,892	$34,246,549	$40,858,088	$47,975,815	$55,609,572
Note: Participation ceases when this line becomes zero.												
Summary of FC Returns												
Forest City Cash Flow [NOI (after participation)+ TI]			23,371,316	24,820,584	26,226,546	28,575,348	28,547,161	29,535,975	33,063,625	33,029,754	32,991,274	36,446,206
Forest City Return on Development Cost (after Participation)			*8.2%*	*8.7%*	*9.1%*	*10.0%*	*10.0%*	*10.3%*	*11.6%*	*11.5%*	*11.5%*	*12.7%*
Shortfall Calculation (with Simple Interest)												
Balance Available for Distribution/(Shortfall)			($11,026,684)	($9,579,416)	($8,173,454)	($5,824,652)	($5,852,839)	($4,864,025)	($1,336,375)	($1,370,246)	($1,408,726)	$2,040,206
Prior Year Cumulative Shortfall			$0	($11,026,684)	($21,931,542)	($32,577,968)	($41,856,407)	($51,861,991)	($61,681,102)	($68,356,245)	($75,325,625)	($82,497,913)
Int. Carry on Prior Year Cum. Shortfall (at 12% simple interest)			$0	($1,323,442)	($2,472,972)	($3,453,787)	($4,152,745)	($4,655,066)	($5,438,768)	($5,599,133)	($5,763,563)	($5,932,610)
Balance to be Distributed/(Shortfall)			($11,026,684)	($21,931,542)	($32,577,968)	($41,856,407)	($51,861,991)	($61,681,102)	($68,356,245)	($75,325,625)	($82,497,913)	($86,384,318)
Summary of TI Rebate to FC (3)												
Tax Increment Rebate to Forest City	--	$1,977,027	$2,762,397	$2,972,597	$3,277,166	$3,342,195	$3,408,506	$3,495,130	$3,564,655	$3,635,556	$3,705,519	$3,776,866
Present Value Factor (to start of operations)		NA	93.0%	86.5%	80.5%	74.9%	69.7%	64.8%	60.3%	56.1%	52.2%	48.5%
PV of Annual TI Rebate at 7.5%		$1,977,027	$2,569,672	$2,572,265	$2,637,989	$2,502,637	$2,374,226	$2,264,710	$2,148,613	$2,038,465	$1,932,737	$1,832,512
PV of Cumulative TI Rebate at 7.5% (to start of op.)		$1,977,027	$4,546,699	$7,118,964	$9,756,973	$12,259,611	$14,633,838	$16,898,548	$19,047,159	$21,085,625	$23,018,362	$24,850,875

Notes:

(1) Based on 80% net tax increment to Forest City, per Seifel 8/08/2000 TI Projections, which assumes Forest City development cost of $273.1 million, total development cost of $384.2 mm and total incremental value of $516.2mm (2000$)

(2) City Participation Assumptions

City Participation in Sale/Refi (of net proceeds)	35.0%
Participation in NOI	
Return on cost over 12% (NOI after FC Pref Return)	35.0%

(3) Construction period TI Rebate per Seifel 8/08/2000 analysis, inflated to start of operations at 7.5%/year

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TERM SHEET
ATTACHMENT 3
Cash Flow Summary and Participation Analysis
Participation Assuming Sale/Refi

Emporium Site San Francisco

35% City Participation

Scenario: Preferred Alternative

Assuming Net Capped Development Cost of $286.7 Million

		Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Loan Supported (at 10%I, 1.30 DCR, 25Y amort.)				$252,851,827							
Refinance Assumptions											
Indicated Loan Supported at 10% Interest rate				$252,651,627							
Less Cost of Sale/refinance	2.0%			($5,053,033)							
Less Greater of Total Development Cost/Previous Loan Amount				($286,666,667)							
Net Proceeds for Distribution				($39,068,073)							
Net Operating Income Less Capital Expenditures		$32,553,175	$32,432,945	$36,184,385	$36,055,592	$35,922,290	$40,081,579	$39,938,783	$39,790,990	$44,402,468	$44,244,148
Tax Increment Rebate to FC (1)		$3,849,625	$980,396	$0	$0	$0	$0	$0	$0	$0	$0
Total Revenue and Tax Increment Rebate		$36,402,800	$33,413,340	$36,184,385	$36,055,592	$35,922,290	$40,081,579	$39,938,783	$39,790,990	$44,402,468	$44,244,148
Preferred Return to Forest City		$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000
Balance Available for Distribution (after preferred FC Return)		$0	$0	$0	$0	$0	$0	$0	$0	$10,002,488	$9,844,148
City Participation Summary (2)											
Sale/Refi		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Participation in NOI (after FC Preferred Return)		$0	$0	$0	$0	$0	$0	$0	$0	$3,500,863	$3,445,451
Total Annual City Participation		$0	$0	$0	$0	$0	$0	$0	$0	$3,500,863	$3,445,451
Maximum City Participation Calculation											
Simple Interest Rate	12.0%										
City Participation		$0	$0	$0	$0	$0	$0	$0	$0	$3,500,863	$3,445,451
TI Disbursed Less Participation		$3,849,625	$980,398	$0	$0	$0	$0	$0	$0	($3,500,863)	($3,445,451)
Cumulative TI Disbursed less Participation		$39,787,243	$40,747,639	$40,747,639	$40,747,639	$40,747,639	$40,747,639	$40,747,639	$40,747,639	$37,246,775	$33,801,324
Interest on Prior Cumulative TI Disbursed		$4,310,114	$4,772,069	$4,889,717	$4,889,717	$4,889,717	$4,889,717	$4,889,717	$4,889,717	$4,889,717	$4,469,613
Cumulative Interest		$24,002,088	$28,774,137	$33,883,854	$38,553,570	$43,443,287	$48,333,004	$53,222,720	$58,112,437	$63,002,153	$87,471,787
Cumulative TI + Interest less Participation		$83,769,311	$89,521,778	$74,411,492	$79,301,209	$84,190,926	$89,080,642	$93,970,359	$98,860,076	$100,248,929	$101,273,091
Note: Participation ceases when this line becomes zero.											
Summary of FC Returns											
Forest City Cash Flow [NOI (after participation)+ TI]		36,402,800	33,413,340	36,184,385	36,055,592	35,922,290	40,081,579	39,938,783	39,790,990	40,901,605	40,798,696
Forest City Return on Development Cost (after Participation)		*12.7%*	*11.7%*	*12.5%*	*12.6%*	*12.5%*	*14.0%*	*13.9%*	*13.9%*	*14.3%*	*14.2%*
Shortfall Calculation (with Simple Interest)											
Balance Available for Distribution/(Shortfall)		$2,002,800	($988,880)	$1,784,385	$1,855,592	$1,522,290	$5,881,579	$5,538,783	$5,390,990		
Prior Year Cumulative Shortfall		($88,384,318)	($90,088,583)	($96,501,972)	($100,282,715)	($103,978,128)	($107,608,187)	($108,898,244)	($105,845,328)		
Int Carry on Prior Year Cum. Shortfall (at 12% simple interest)		($5,887,085)	($5,448,729)	($5,585,129)	($5,351,002)	($5,152,331)	($4,989,857)	($4,287,887)	($3,823,213)		
Balance to be Distributed/(Shortfall)		($90,088,583)	($98,501,972)	($100,282,715)	($103,978,128)	($107,608,187)	($108,898,244)	($105,845,328)	($103,877,551)		
Summary of TI Rebate to FC (3)											
Tax Increment Rebate to Forest City		$3,849,825	$980,398	$0							
Present Value Factor (to start of operations)		45.1%	42 0%	39.1%							
PV of Annual TI Rebate at 7 5%		$1,737,502	$411,823	$0							
PV of Cumulative TI Rebate at 7 5% (to start of op)		$28,588,377	$27,000,000	$27,000,000							

Notes,

(1) Based on 60% net tax increment to Forest City, per Seifel 6/06/2000 TI Projections, which assumes Forest City development cost of $273 1 million, total development cost of $584 2 mm and total incremental value of $516 2mm (2000$).

(2) City Participation Assumptions
- City Participation in Sale/Refi (of net proceeds) 35 0%
- Participation in NOI
- Return on cost over 12% (NOI after FC Pref Return) 35.0%

(3) Construction period TI Rebate per Seifel 6/06/2000 analysis, inflated to start of operations at 7 5%/year

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TERM SHEET
ATTACHMENT 3
Cash Flow Summary and Participation Analysis
Participation Assuming Sale/Refi

Emporium Site San Francisco

35% City Participation

Scenario: Preferred Alternative

Assuming Net Capped Development Cost of $255.7 Million

		Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Loan Supported (at 10%I, 1.30 DCR, 25Y amort.)				$342,257,347							
Refinance Assumptions											
Indicated Loan Supported at 10% Interest rate				$342,257,347							
Less Cost of Sale/refinance	2.0%			($6,845,147)							
Less Greater ofTotal Development Cost/Previous Loan Amount				($266,666,667)							
Net Proceeds for Distribution				$48,745,534							
Net Operating Income Less Capital Expenditures		$44,080,286	$49,193,115	$49,017,582	$46,635,905	$54,504,590	$54,309,974	$54,106,546	$60,393,516	$60,177,743	$59,954,416
Tax Increment Rebate to FC (1)		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Revenue and Tax Increr ent Rebate		$44,080,286	$49,193,115	$49,017,582	$46,635,905	$54,504,590	$54,309,974	$54,106,546	$60,393,516	$60,177,743	$59,954,416
Preferred Return to Forest City		$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000	$34,400,000
Balance Available for Distribution (after preferred FC Return)		$9,680,286	$14,793,115	$14,617,582	$14,435,905	$20,104,590	$19,909,974	$19,706,546	$25,993,516	$25,777,743	$25,554,416
City Participation Summary (2)											
Sale/Refi		$0	$0	$17,060,937	$0	$0	$0	$0	$0	$0	$0
Participation in NOI (after FC Preferred Return)		$3,386,100	$5,177,590	$5,116,153	$5,052,567	$7,036,606	$6,968,490	$6,697,991	$9,097,731	$9,022,210	$8,944,045
Total Annual City Participation		$3,386,100	$5,177,590	$22,177,090	$5,052,567	$7,036,606	$8,968,490	$6,697,991	$9,097,731	$9,022,210	$8,944,045
Maximum City Participation Calculation											
Simple Interest Rate	12.0%										
City Participation		$3,366,100	$5,177,590	$22,177,090	$5,052,587	$7,036,606	$6,968,490	$6,697,991	$9,097,731	$9,022,210	$8,944,045
TI Disbursed Less Participation		($3,388,100)	($5,177,590)	($22,177,090)	($5,052,567)	($7,036,608)	($8,988,490)	($6,897,991)	($9,097,731)	($9,022,210)	($8,944,045)
Cumulative TI Disbursed less Participation		$30,413,224	$25,235,835	$3,058,545	($1,994,022)	($9,030,828)	($15,999,119)	($22,897,109)	($31,994,840)	($41,017,050)	($49,981,095)
Interest on Prior Cumulative TI Disbursed		$4,058,159	$3,649,567	$3,026,276	$367,025	$0	$0	$0	$0	$0	$0
Cumulative Interest		$71,527,925	$75,177,512	$78,205,788	$78,572,814	$78,572,814	$78,572,814	$78,572,814	$78,572,814	$78,572,814	$78,572,814
Cumulative TI + Interest less Participation		$101,941,150	$100,413,147	$61,264,333	$76,576,792	$69,542,186	$62,573,695	$55,675,705	$46,577,974	$37,555,764	$28,611,719
Note: Participation ceases when this line becomes zero.											
Summary of FC Returns											
Forest City Cash Flow [NOI (after participation)+ TI]		40,692,166	44,015,525	75,566,025	43,763,339	47,467,984	47,341,463	47,210,555	51,295,767	51,155,533	51,010,371
Forest City Return on Development Cost (after Participation)		14.2%	15.4%	26.4%	15.3%	16.6%	15.5%	16.5%	17.9%	17.8%	17.8%
Shortfall Calculation (with Simple Interest)											
Balance Available for Distribution/(Shortfall)											
Prior Year Cumulative Shortfall											
Int Carry on Prior Year Cum Shortfall (at 12% simple interest)											
Balance to be Distributed/(Shortfall)											
Summary of TI Rebate to FC (3)											
Tax Increment Rebate to Forest City											
Present Value Factor (to start of operations)											
PV of Annual TI Rebate at 7.5%											
PV of Cumulative TI Rebate at 7.5% (to start of op.)											

Notes;
(1) Based on 80% net tax increment to Forest City, per Seifel 6/05/2000 TI Projections, which assumes Forest City development cost of $273.1 million, total development cost of $584.2 mm and total incremental value of $516.2mm (2000$)
(2) City Participation Assumptions
City Participation in Sale/Refi (of net proceeds) 35.0%
Participation in NOI
Return on cost over 12% (NOI after FC Pref Return) 35.0%
(3) Construction period TI Rebate per Seifel 6/05/2000 analysis, inflated to start of operations at 7.5%/year

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TERM SHEET
ATTACHMENT 3
Cash Flow Summary and Participation Analysis
Participation Assuming Sale/Refi
Emporium Site San Francisco
35% City Participation
Scenario: Preferred Alternative
Assuming Net Capped Development Cost of $288.7 Million

		Year 31	Year 32	Year 33
Loan Supported (at 10%I, 1.30 DCR, 25Y amort.)				$467,160,987
Refinance Assumptions				
Indicated Loan Supported at 10% interest rate				$467,160,987
Less Cost of Sale/refinance	2.0%			($9,343,220)
Less Greater ofTotal Development Cost/Previous Loan Amount				($342,257,347)
Net Proceeds for Distribution				$115,560,420
Net Operating Income Less Capital Expenditures		$66,906,093	$66,906,093	$66,906,093
Tax Increment Rebate to FC (1)		$0	$0	$0
Total Revenue and Tax Increment Rebate		$66,906,093	$66,906,093	$66,906,093
Preferred Return to Forest City		$34,400,000	$34,400,000	$34,400,000
Balance Available for Distribution (after preferred FC Return)		$32,506,093	$32,506,093	$32,506,093
City Participation Summary (2)				
Sale/Refi		$0	$0	$5,857,454
Participation in NOI (after FC Preferred Return)		$11,377,132	$11,377,132	$0
Total Annual City Participation		$11,377,132	$11,377,132	$5,857,454
Maximum City Participation Calculation				
Simple Interest Rate	12.0%			
City Participation		$11,377,132	$11,377,132	$5,657,454
TI Disbursed Less Participation		($11,377,132)	($11,377,132)	($5,857,454)
Cumulative TI Disbursed less Participation		($81,338,227)	($72,715,360)	($78,572,814)
Interest on Prior Cumulative TI Disbursed		$0	$0	$0
Cumulative Interest		$78,572,814	$78,572,814	$78,572,814
Cumulative TI + Interest less Participation		$17,234,587	$5,657,454	$0
Note: Participation ceases when this line becomes zero.				
Summary of FC Returns				
Forest City Cash Flow [NOI (after participation)+ TI]		55,528,961	55,526,961	176,609,059
Forest City Return on Development Cost (after Participation)		*19.4%*	*19.4%*	*61.6%*
Shortfall Calculation (with Simple Interest)				
Balance Available for Distribution/(Shortfall)				
Prior Year Cumulative Shortfall				
Int Carry on Prior Year Cum. Shortfall (at 12% simple interest)				
Balance to be Distributed/(Shortfall)				
Summary of TI Rebate to FC (3)				
Tax Increment Rebate to Forest City				
Present Value Factor (to start of operations)				
PV of Annual TI Rebate at 7.5%				
PV of Cumulative TI Rebate at 7.5% (to start of op.)				

Notes:
(1) Based on 60% net tax increment to Forest City, per Seifel 6/06/2000 TI Projections, which assumes Forest City development cost of $273.1 million, total development cost of $584.2 mm and total incremental value of $516.2mm (2000$).
(2) City Participation Assumptions
City Participation in Sale/Refi (of net proceeds) 35.0%
Participation in NOI
Return on cost over 12% (NOI after FC Pref Return) 35.0%
(3) Construction period TI Rebate per Seifel 6/06/2000 analysis, inflated to start of operations at 7.5%/year.

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Item 15 – File 00-1385

Department: Department of Public Health (DPH), San Francisco General Hospital (SFGH)

Item: Resolution concurring with the Controller's Certification that laundry services can continue to be performed for the Department of Public Health, San Francisco General Hospital by a private contractor for a lower cost than similar work performed by City and County employees.

Services to be Performed: Laundry Processing Services at San Francisco General Hospital

Description: Charter Section 10.104 provides that the City may contract with private firms for services which had been performed by City employees if the Controller certifies, and the Board of Supervisors concurs, that such services can in fact be performed by private firms at a lower cost than similar work services performed by City employees.

The Controller has determined that contracting for laundry processing services at San Francisco General Hospital for FY 2000-01 would result in the estimated savings as follows:

City Operated Service Costs	Lowest Salary Step	Highest Salary Step
Salaries	$470,528	$545,904
Fringe Benefits	151,908	163,757
Operating Expenses	101,289	101,289
Capital Costs	206,530	206,530
Total	$930,255	$1,017,480
Contractual Services Costs[1]	830,256	831,081
Estimated Savings	$99,999	$186,399

[1] Contractual Service Costs include high and low estimates of contract monitoring expenses by DPH staff, according to Mr. Joe Matrenga of the Controller's Office.

Comments:

1. Laundry services for San Francisco General Hospital were first certified as required under Proposition J (Charter Section 10.104) in 1994 and since then, they have been continuously provided by outside contractors. The current contractor, Tartan Textiles Services, Inc. has provided laundry services for San Francisco General Hospital since September 1, 1997.

2. The proposed resolution should be amended to retroactively approve the Controller's Certification as of July 1, 2000.

3. The FY 1999-2000 one-year contract with Tartan Textile Services, Inc. expired on June 30, 2000. Services are currently provided to SFGH by Tartan Textile Services on a month-to-month contract extension. Mr. Reed Kennedy of the Purchaser's Office states that Tartan Textile Services will continue to provide laundry service under the contact extension for approximately 4 to 6 months, after which time a new one-year contract will be issued through a competitive selection process.

4. The laundry processing service costs for FY 2000-2001 is $0.303 per pound, which is $0.028 more per pound than the FY 1997-1998, 1998-1999, and 1999-2000 rates of $0.275. DPH estimates the total annual weight of the laundry it processes to be approximately 2,555,000 pounds, which is less than one percent different than the 2,538,113 pounds of laundry actually processed in FY 1999-2000. The Contractual Services Costs used by the Controller are based on the pounds of laundry and $0.303 per pound for processing services and related DPH staff contract monitoring costs, ranging from $56,091 to $56,916 annually.

5. The Controller's supplemental questionnaire with the Department's responses is shown in the Attachment to this report.

Recommendations:

1. In accordance with Comment No. 2, amend the proposed resolution to provide for retroactivity.

2. Approve the proposed resolution, as amended.

CHARTER 8.300-1 (PROPOSITION J) QUESTIONNAIRE:

Department: Department of Public Health, San Francisco General Hospital Medical Center
Contract Services: Laundry Services
For term starting approximately: July 1, 2000 through June 30, 2003
Who performed services prior to contracting out? Civil Service employees. The level of staffing at SFGH was reduced to 12 employees as a result of contracting out in July, 1994. Since one (1) 2780 Laundry Supervisor had resigned from his position at SFGH the number was reduced to 11 employees as the new level of staffing at SFGH. Originally, the laundry services were performed by 34 Civil Service employees: 1 FTE 2786 General Services Manager, 2 FTE 2780 Laundry Supervisors, 1 FTE 2772 Sewing Technician, 11 FTE 2770 Sr. Laundry Workers, and 19 FTE Laundry Workers. One of the 2760 Laundry Workers, however, retired and was never replaced; one 2780 Laundry Supervisor resigned from his position at SFGH.
The revised level of staffing reflects efficiencies in the laundry operations if new equipment is installed (the old equipment was removed from the premises to allow seismic retrofit), and comprises 21employees. This staffing consists of 1 FTE 2786 General Services Manager, 1 FTE 1426 Sr. Clerk Typist, 1 FTE 2772 Sewing Technician, 7 FTE 2770 Sr. Laundry Workers, and 11 2760 FTE 2760 Laundry Workers.
Number of City employees laid off as a result of contracting out? A total of 19 laundry workers were laid off from laundry worker positions and placed in #9910 positions within the Department of Public Health (2-2770 Sr. Laundry Workers and 17- 2760 Laundry Workers). No one was separated from City and County service.
Explain disposition of employee if they were not laid off. The following 11 classifications remained at SFGH to manage the linen distribution system: 1 FTE 2786 General Services Manager, 1 FTE 2772 Sewing Technician, 6 FTE 2770 Sr. Laundry Workers, and 3 FTE 2760 Laundry Workers. These work assignments were not affected by the proposed Prop J contract. The other 23 employees were either reassigned to Laguna Honda Hospital, placed in 9910 positions within the DPH, resigned, retired or took voluntary leave to accept another position.
19 employees were assigned to duties in 9910 positions as follows: #2760: 1 assigned to SFGH Environmental Services as a Porter, 1 assigned to Asst. Storekeeper duties in SFGH Pharmacy, 1 assigned to clerical duties in the Mental Health Rehab Facility, 1 assigned to Buildings and Grounds as a Porter, 1 assigned to Human Resources as a personnel clerk (resigned 7/8/94 to accept a position in the US Postal Service), 4 assigned to train as security guards in Institutional Police Department, 1 assigned to AIDS office, 4 assigned to Laguna Honda laundry, and 1 assigned to Laguna Honda Environmental Services. Of the 2770 classification: 1 was assigned to SFGH Messenger Services, and 1 assigned to Laguna Honda Laundry.
In addition, 3 employees voluntarily took a leave to accept 9910 positions: 1- 2770 Sr. Laundry Worker and 1- 2760 Laundry Worker were trained in SFGH Institutional Police; 1- 2760 Laundry Worker was trained in SFGH Radiology Department to perform clerical duties.
What percent of a City employee's time is spent on services to be contracted out? Approximately 2% or less of an Assistant Hospital Administrator's (classification 2143) time would be spent on administering this contract.
How long have the services been contracted out? 6 years (since July 1,1994).
How long will contract services meet the goals of your MBE/WBE Action Plan? Contractor will be selected through a competitive bid process. All interested MBE/WBE/LBE will be notified and will be encouraged to bid.

Angela Carmen, Assistant Administrator
Facilities/Materials Management
Department Representative

206-5088

Item 16 – File 00-1348

Department: Municipal Transportation Agency (Muni)

Item: Resolution concurring with the Controller's certification that paratransit services for the Public Transportation Commission can continue to be practically performed by a private contractor at a lower cost than by City and County employees.

Service to be Performed: Paratransit Services

Description: Paratransit Services provide door-to-door transportation services for persons with disabilities. This is accomplished through four modes of transportation, including taxis, ramp taxis, lift vans, and group vans, which cover a service area with geographic boundaries of the City and County of San Francisco, small portions of northern San Mateo County (those areas within ¾ mile of Muni and Bay Area Rapid Transit (BART) routes that run from San Francisco to the Daly City BART station) and Treasure Island. Paratransit Services are intended to provide a service area identical to that of Muni.

Intelitran, a private contractor, has provided Paratransit Services to Muni since April 1, 2000 (see Comment No. 2).

City Charter Section 10.104.15 provides that the City may contract with private firms for services if the Controller certifies, and the Board of Supervisors concurs, that such services can, in fact, be performed by private firms at a lower cost than similar work or services performed by City employees.

The Controller has determined that contracting for Paratransit Services for FY 2000-01 would result in estimated savings as follows:

City Operating Service Costs	Lowest Salary Step	Highest Salary Step
Salaries	$9,025,939	$11,677,674
Fringe Benefits	3,168,661	3,585,514
Capital and Operating Expenses	3,184,568	3,184,568
Total	$15,379,168	$18,447,756
Contractual Service Cost	14,991,885	14,993,529
Estimated Savings	$387,283	$ 3,454,227

Comments:

1. Paratransit Services were first certified, as required by Charter Section 10.104, in 1984 and have been provided by an outside contractor since that time.

2. Ms. Annette Williams of Muni reports that Paratransit Services were previously provided by Cerenio Management Group. Since April 1, 2000, the current contractor, Intelitran, has been providing Paratransit Services. The Muni selected Intelitran for a five-year contract through a competitive selection process, previously approved by the Board of Supervisors (File No. 00-0045).

3. According to Ms. Williams, the FY 2000-01 contract for provision of Paratransit Services of $14,991,885 is $1,335,218 or 9.8 percent more than the FY 1999-2000 contract of $13,656,667[1]. Ms. Williams states that the increase in contract costs is primarily due to increased demand for Paratransit Services. Additionally, wages for bus drivers were increased from $9.42 to $10.42 per hour.

4. The five-year contract with Intelitran is not to exceed $66,420,375 (File No. 00-0045). However, based on the projected FY 2000-2001 Intelitran contracted services amount of $14,991,885, the five-year Intelitran contract is

[1] According to Ms. Williams, the FY 1999-2000 contract period was covered by two separate contracts, one with Cerenio Management Group from July 1, 1999 through May 31, 2000, the other, with Intelitran from April 1, 2000 through June 30, 2000. The amount of the FY 1999-2000 contract provided by the Department is an aggregation of these two contracts.

projected to total at least approximately $74.9, or approximately $8.5 million more than the maximum allowed. According to Ms. Williams, if demand for Paratransit Services continues such that it appears that the five-year contract maximum of $66,420,375 will be exceeded, Muni would seek approval from the Board of Supervisors for a contract modification.

5. The contract with Intelitran provides that the administrative costs incurred by Intelitran for FY 2000-01 should not exceed $2,138,661. The amount budgeted for such FY 2000-01 administrative costs is $2,029,225 or $109,436 less than the stipulated contract amount.

6. The Contractual Services Cost used for the purpose of this analysis is based on Muni's actual budgeted expenditures for this service in FY 2000-01.

7. The Controller's supplemental questionnaire with the Public Transportation Commission's responses is shown in the Attachment to this report.

8. As the contract period for the proposed resolution is July 1, 2000 to June 30, 2001, the proposed resolution should be amended to provide for retroactivity.

Recommendations:

1. Amend the proposed resolution to provide for retroactivity (see Comment No. 8).

2. Approve of the proposed resolution, as amended.

CHARTER 10.104.15 (PROPOSITION J) QUESTIONNAIRE

DEPARTMENT: Municipal Transportation Agency

CONTRACT SERVICES: Paratransit

CONTRACT PERIOD: 07/01/00-06/30/01

(1) Who performed the activity/service prior to contracting out?

Service has always been contracted out.

(2) How many City employees were laid off as a result of contracting out?

None.

(3) Explain the disposition of employees if they were not laid off.

N/A

(4) What percentage of City employees' time is spent of services to be contracted out?
20% of one full-time equivalent contract administrator plus 3 hours per month of a 1630 Accountant.

(5) How long have the services been contracted out? Is this likely to be a one-time or an ongoing request for contracting out?

Twenty (20) years. Likely to be an ongoing request for contracting out.

(6) What was the first fiscal year for a Proposition J certification? Has it been certified for each subsequent year? FY 83-84. Yes, it has been certified every year, except FY 99-00 when the contract was in transition and the year was divided between 2 contractors, CMG & Intelitran.

(7) How will the services meet the goals of your MBE/WBE Action Plan?
40% of all service is to be provided by MBE/WBE firms.

(8) Does the proposed contract require that the contractor provide health insurance for its employees? Even if not required, are health benefits provided?

Yes, the contract requires health insurance for employees.

(9) Does the proposed contractor provide benefits to employees with spouses? If so, are the same benefits provided to employees with domestic partners? If not, how does the proposed contractor comply with the Domestic Partners ordinance?

Yes, the contractor provides benefits to employees with spouses and domestic partners.

Department Representative: Annette Williams

Telephone Number: 923-6142

Item 17 - File 00-1427

Department: Fire Department
Department of Public Works (DPW)

Item: Hearing to consider the release of reserved funds in the amount of $21,026 to fund emergency repairs of the Auxiliary Water Supply System (AWSS) facilities located at Cargo and Amador Streets, in the Bayview Hunters Point area.

Amount: $21,026

Source of Funds: Fire Protection Systems Improvement General Obligation (GO) Bonds, previously appropriated and placed on reserve by the Board of Supervisors

Budget: The summary budget for the $21,026 in reserved funds is as follows:

Emergency Repair of AWSS at Cargo and Amador Streets	
Construction (performed by A. Ruiz Construction & Associates, see Comment No. 2 below)	$18,774
Construction Management & Inspection (performed by DPW)	1,846
Project Management (performed by DPW)	406
Total Cost	**$21,026**

Attachment I to this report, provided by the Department of Public Works (DPW), contains details to support the summary budget above.

Description: The subject $21,026 in reserved funds would be used to fund repairs already completed on the Auxiliary Water Supply System (AWSS) at Cargo and Amador Streets in the Bayview Hunters Point area. The AWSS is a system of reservoirs, cisterns, pipelines, pump stations, and fireboats, comprising the source of

water supply for fire protection in emergency situations.

The City sold a total of $46.2 million in Fire Protection Systems Improvement General Obligation Bonds ($31 million in 1987 and $15.2 million in 1991) to finance improvements to the City's Auxiliary Water Supply System. In March of 1996, the Board of Supervisors approved a supplemental appropriation ordinance for $3,907,900 (File 101-95-61) from accrued interest from the Fire Protection Systems Improvement Bonds for four categories of capital improvement projects: (1) repair and improvement of the Fireboat Phoenix, (2) implementation of motorized AWSS control valves, (3) repairs to the AWSS water storage tank, and (4) emergency repairs of AWSS facilities. The Board of Supervisors placed $3,269,850 of the total appropriation of $3,907,900 on reserve. To date, a total of $1,057,258 of the $3,269,850 has been released, including $429,408 for emergency repairs to AWSS facilities (see Comment No. 3 below). The subject requested release of reserved funds would come from category (4) emergency repairs of AWSS facilities.

Comments:

1. According to Mr. Patrick Rivera of the Department of Public Works (DPW), a leak was discovered in the AWSS pipeline at Cargo and Amador Streets on April 10, 2000. Under the direction of DPW, A. Ruiz Construction Company & Associates (see Comment No. 2 below) exposed the pipe, repaired the leak, and restored the roadway pavement. Mr. Rivera reports that the repairs were completed on June 19, 2000.

2. Mr. Rivera advises that A. Ruiz Construction Company & Associates maintained an on-going contract with DPW for street paving repairs and emergency underground repairs, which began on July 1, 1999 and terminated on June 30, 2000, after the subject repairs were completed. According to Mr. Rivera, DPW selects firms for as-needed construction work, including the contract with A. Ruiz Construction Company & Associates, through an annual competitive bidding process.

3. According to Mr. Rivera, when the Board of Supervisors placed the subject $3,269,850 on reserve in 1996, $627,000 of such reserved funds were designated for emergency repair of AWSS facilities. As shown in Attachment II, provided by DPW, since 1996, the Finance and Labor Committee has released a total of $429,408 of the $627,000 in reserved funds for emergency repairs, leaving a remaining balance of $197,592. If the Finance and Labor Committee approves the proposed release of $21,026 in reserved funds, the remaining balance of reserved funds for emergency repairs would be $176,566 ($197,592 less $21,026).

Recommendations: Approved the proposed release of reserved funds.

Emergency Repair AWSS Repair at Cargo & Amador Breakdown of Costs			
Construction Repairs			
Expose and Repair Pipe Leak and Restore Roadway Pavement. Performed by A.Ruiz Construction Co. & Associates, Inc.			
	Labor		$7,472
	Materials		$4,313
	Equipment		$5,387
			$17,172
Soil Sampling, Testing and Disposal Performed by Controlled Environmental Services			
	Labor		$1,602
	Subtotal Construction		**$18,774**
Construction Management & Inspection			
Classification	Hourly Rate	Hours	
6318, Construction Inspector	$77	24	**$1,846**
Project Management			
Classification	Hourly Rate	Hours	
5174, Administrative Engineer	$102	4	**$406**
TOTAL CARGO & AMADOR			**$21,026**

Source: Department of Public Works

Fire Protection Systems Improvement General Obligation Bonds
Reserves for AWSS Emergency Repairs
Ordinance 127-96

	Const. Funds On Reserve	Const. Funds Released	Balance	File No.	Board Approval
Repair AWSS Facilities	$627,000				
Grant & Pacific Ave		61,689		101-95-61.1	7/10/96
Legion of Honor, Cist. #2 & Indiana		36,300		101-95-61.2	9/9/96
Kearny and Clay		50,739		101-95-61.4	3/21/97
Geary & Stockton		28,170		101-95-61.5	7/7/97
Pump Station #2		73,024		101-95-61.6	7/2/97
5th near King St.		72,944		101-95-61.7	10/2/97
Mission & Main		52,000		00-0071	1/19/00
3rd and Evans & Evans and Selby		54,542		000289	3/15/00
TOTAL		$429,408	$197,592		

Source: Department of Public Works (DPW)

8/7/00

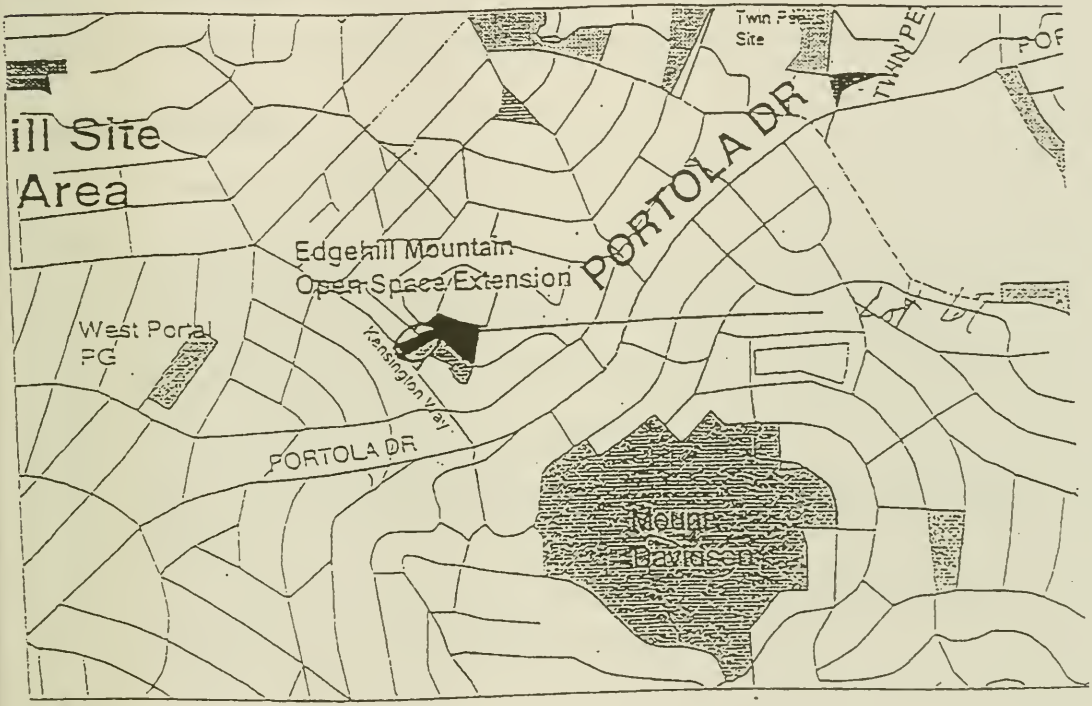
Item 18 - File 00-0931

Note: This item was heard, and recommended for approval, by the Housing and Social Policy Committee at its meeting of July 18, 2000. The proposed resolution has been transferred to the Finance and Labor Committee for fiscal impact consideration.

Department:	Recreation and Park Department (RPD) Department of Real Estate (DRE)
Item:	Resolution approving and authorizing acquisition of real property located in the Forest Hills area identified as Assessor's Block No. 2923, Lot No. 67 for $206,000 from the Florence G. Alberts and Burton H. Alberts Living Trust for Open Space purposes, and adopting findings pursuant to City Planning Code Section 101.1.
Location:	Assessor's Block No. 2923, Lot No. 67 70 Edgehill Way
Seller:	The Florence G. Alberts and Burton H. Alberts Living Trust
Size:	11,651 square feet
Purchase Price:	$200,000, or $17.17 per square foot, plus $6,000 in closing costs (see Comment No. 2).
Source of Funds:	Open Space Funds approved in the FY 1999-2000 budget.
Description:	Approval of the subject resolution would authorize the acquisition of the subject property, Block 2923, Lot 67 from the Florence G. Alberts and Burton H. Alberts Living Trust for $206,000. The lot would be used for Open Space purposes. The lot is located at 70 Edgehill Way. The subject property is adjacent to the existing Edgehill Mountain Open Space property in the Forest Hills area. It is located west of Twin Peaks on the west slope of Edgehill Mountain, north of Portola Drive. It extends from Kensington Street to the Edgehill Auto Pathway as marked on the Attachment (provided by DRE). The acquisition of the subject property would effectively

Attachment

Case No. 97.118M
Proposed Amendment of Map 4 of the Recreation and Open Space Element of the General Plan



Proposal to designate site as "Proposed Public Open Space"

a. Edgehill Mountain Open Space Extension
AB 2923, lot 67; AB 2934, lots 10, 11, 12, 13, 21

Existing Rec. Park Department Park / facility

City and County of San Francisco
Meeting Minutes
Finance and Labor Committee

Members: Supervisors Leland Yee, Sue Bierman, Tom Ammiano

Clerk: Mary Red

Monday, August 28, 2000 | **10:00 AM** | **City Hall, Room 263**

Special Meeting

Members Present: Leland Y. Yee, Sue Bierman, Tom Ammiano.

MEETING CONVENED

The meeting convened at 10:00 a.m.

001362 [Outreach newspaper]

Supervisors Leno, Bierman

Resolution designating the San Francisco Bay Times and the San Francisco Spectrum for outreach advertising services for the City and County of San Francisco for the lesbian/gay/bisexual/transgender community for outreach advertising for FY2000-2001.

7/24/00, REFERRED FOR ADOPTION WITHOUT COMMITTEE REFERENCE AGENDA AT THE NEXT BOARD MEETING.

7/31/00, SEVERED FROM FOR ADOPTION WITHOUT COMMITTEE REFERENCE AGENDA. Supervisor Yee requested this matter be severed so it could be considered separately.

7/31/00, REFERRED to Finance and Labor Committee. Supervisor Yee requested this matter be referred to committee.

7/31/00, SUBSTITUTED. Supervisor Leno submitted a substitute resolution bearing new title.

7/31/00, ASSIGNED to Finance and Labor Committee.

8/23/00, AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Mike Ward, Assistant Director, Purchasing; Supervisor Leno; Supervisor Ammiano; Kim Corsaro, Editor, S. F. Bay Times; Supervisor Yee; Ted Lakey, Deputy City Attorney. Amendment of the Whole to include the San Francisco Spectrum as outreach advertising service.

8/23/00, CONTINUED. Continued to special meeting on August 28, 2000, to go to Board as Committee Report on August 28.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Mike Ward, Assistant Director, Purchasing Department.

RECOMMENDED AS COMMITTEE REPORT by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

ADJOURNMENT

The meeting adjourned at 10:06 a.m.

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

August 24, 2000

TO: Finance and Labor Committee

FROM: Budget Analyst

SUBJECT: Special August 28, 2000 Finance and Labor Committee Meeting

Item 1 – File 00-1362

Note: This item was continued by the Finance and Labor Committee at its meeting of August 23, 2000. The subject resolution has been amended to add the San Francisco Spectrum newspaper as a second outreach advertising newspaper for the Lesbian, Gay, . Bisexual, and Transgender community in FY 2000-01.

Item: Resolution designating the San Francisco Bay Times and the San Francisco Spectrum newspapers for outreach advertising services for the City and County of San Francisco for the Lesbian, Gay, Bisexual, and Transgender Community for FY 2000-01.

Comment: Mr. Mike Ward of the Purchasing Department advises that he will respond directly to the questions raised by the Finance and Labor Committee at its August 23, 2000 meeting regarding two issues: (a) union membership of the two newspapers' staff, and (b) the payment of a living wage to the two newspapers' staff. Attached are written responses from the San Francisco Bay Times (Attachment I) and the San Francisco Spectrum (Attachment II) regarding these two issues.

Recommendation: Approval of the proposed resolution is a policy matter for the Board of Supervisors.

Harvey M. Rose

Supervisor Yee
Supervisor Bierman
President Ammiano
Clerk of the Board
Controller
Steve Kawa

Attachment I

SAN FRANCISCO
Bay Times

August 23, 2000

Mr. Luis Espinoza
Purchasing Department
City Hall, Room 430
1 Dr. Carlton Goodlet Place
San Francisco, CA 94102-4685

Re: Contract #95304
Outreach Advertising for fiscal year July 1, 200-June 30, 2001

Dear Mr. Espinoza:

Regarding the concerns raised in this morning's Finance Committee meeting, I would like to addre :s the following issues.

The question was asked whether *San Francisco Bay Times* pays our staff in accordance with the M .nimum Wage Law. In fact, we far exceed those provisions. We have two people on staff, in addition to my self. They are paid, respectively, $17.50 and hour and $23.00 an hour. The $23.00 an hour position is a base-plus-commission pay structure, and may in fact be substantially higher than that by the end of the year. The $17.50 an hour employee is contracted to receive a raise to $20 an hour on September 1, 2000. Sta f has complete benefits: full medical, with domestic partners benefits available, plus a generous assortm :nt of other benefits.

We have three regular independent contractors we work with as well. They are paid $13 to $25 an hour, depending on their duties.

When I contract with individuals for short-term temporary assignments, I pay $15-$20 an hour.

Our freelance contributors are paid $75-$250 per article, averaging about $125. The usual rate for community newspapers (and this is without known exception in San Francisco) is $20-$25 per article.

Our newspaper is currently printed in San Jose. This is an economic and practical consideration. There are only two printers in San Francisco at this time that are even large enough to accommodate the *Bay Times*, and they do not have scheduling availability for us. We are in every other way a San Francisco publication. We are not unionized.

Please let me know if you need any further information.

Sincerely,

Kim Corsaro
Publisher/Editor

Kim Corsaro PUBLISHER / EDITOR

3410-19TH STREET, SAN FRANCISCO, CA 94110 415 • 626 • 0260 / FAX 415 • 626 • 0987

SAN FRANCISCO
SPECTRUM

To Whom It May Concern

Re: Application As Vendor To The City

At Spectrum we do not have any employees on payroll. All the design and typeset is performed by owners, consequently we pay no salaries or wages. All of our writers are paid as outside contractors and each is an individual.

Our subcontractor for printing is Grant Printing / Independent Newspaper, which is owned by the Fang Family of San Francisco. I have been told, by the plant manager, that Grant is non union but pays wages comparable to Union scale.

Sincerely,

Gary Nathan
Publisher, Executive Editor

1845 Market Street • San Francisco, California 94103-1112
Tel: 415-431-1981 • Fax: 415-252-0724 • email: sales@sfspectrum.org